

**CENTERVILLE CITY CORPORATION
CENTERVILLE, UTAH**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2006

CENTERVILLE CITY CORPORATION, UTAH
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006

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INTRODUCTORY SECTION



CENTERVILLE CITY

250 North Main • Centerville, Utah 84014-1824 • (801) 295-3477 • Fax: (801) 292-8034

Incorporated in 1915

Mayor

Ronald G. Russell

City Council

Justin Y. Allen

Paul Cutler

Jack Dellastatious

David R. Gutke

Sherri L. Lindstrom

City Manager

Steve H. Thacker

December 13, 2006

To the Honorable Mayor, City Council and Citizens of Centerville, Utah

State law requires that all cities publish within six months of the close of the fiscal year a complete set of financial statements presented in conformance to generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a qualified, licensed certified public accounting firm. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of Centerville, Utah for the fiscal year ended June 30, 2006.

These statements are prepared to comply with the requirements promulgated by the Government Accounting Standards Board (GASB) Statement 34. Significant changes in the basic statements is the addition of city-wide consolidated reports that include a statement of net assets and a statement of activities. They take the place of the traditional balance sheet and operating statements used in private business, but serve a similar purpose. These city-wide statements consolidate all funds and component units of the City and use full accrual basis of accounting with a flow of financial resources measurement focus. These city-wide statements will make it easier to measure and analyze the changes in financial position over time.

This report consists of management's representation concerning the finances of Centerville City. We believe that the data, as presented, is accurate in all material aspects and fairly sets forth the financial position and results of operations of the City as measured by the financial activities of its various funds. Disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have also been included. Additional review and management analysis of the financial statements and financial position of the City is provided in the Management's Discussion and Analysis.

The financial statements have been audited by Hansen, Bradshaw, Malmrose & Erickson, PC, a licensed certified public accounting firm qualified to perform audits of municipal governments. The goal of the independent audit was to provide reasonable assurance that the financial statements of Centerville City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence of supporting the amounts and disclosures in the financial statements; assessing the accounting principles and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Centerville City's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented at the

beginning of the financial section of this report.

This comprehensive annual financial report is presented in 3 sections:

1. *The Introductory Section*, which is unaudited, includes this letter of transmittal, The Government Finance Officers reporting certificate, listing of City Officials, and the City's organization chart.
2. *The Financial Section*, which includes the independent auditor's report, Management's Discussion and Analysis, the basic financial statements, combining and individual fund schedules, and schedules of capital assets used in governmental fund operations.
3. *The Statistical Section*, includes tables and graphs of selected financial and demographic information. Some tables include multi-year comparative history data.

Community and History

Centerville was settled in the fall of 1847 by Thomas Grover and his family. In the spring of 1848 the Deuel brothers moved to the community to farm the rich soils. Early Centerville was a farming community, producing superior crops from the rich soils deposited from the streams which flowed from the canyons of the Wasatch Mountains. By 1853 the community had grown to 194 inhabitants. The community was incorporated as a Town in 1915.

Centerville continued to be a farming community through the 1940's, including market gardening and orchards of apples, apricots, cherries and peaches. Due to its proximity to Salt Lake City and its appealing setting, however, Centerville has since grown primarily into a suburban community.

Organization

Centerville is a city of the fourth class (population between 10,000 and 30,000), operating under the Council-Manager form of government by ordinance. The legislative body, the City Council, is comprised of five members plus the Mayor. The Mayor and council members are elected to staggered four-year terms. The City Council establishes policies and procedures for the efficient administration and operation of the City and approves and amends the budget. The City Manager is hired upon the recommendation of the Mayor and approval by the City Council. The City Manager is responsible for the daily management of the City. The Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria, the Redevelopment Agency of Centerville City and Municipal Building Authority of Centerville City are included; however, no other governmental organizations are included in this report.

Services

Major services provided or funded by the City include Justice Court, Police, Street Improvements and Maintenance, Culinary Water, Drainage/Flood Control, Solid Waste Collection and Disposal, Planning and Zoning, Building Inspection, Code Enforcement, Parks Maintenance & Construction, Youth and Adult Recreation, Cemetery, Local Museum.

Major services provided under the Enterprise Fund include culinary water, storm drainage and solid waste collection (sanitation). Fire service and solid waste disposal, are provided by special districts, with funding coming from municipalities within the districts, including Centerville City. Solid waste collection is provided through the City by a private contractor. Centerville City is also included in the South Davis Recreation District created in 2005.

Economic Factors and Conditions

The City has had moderate residential and commercial growth in the last 3 years. Revenues have steadily increased, and the City has had sufficient resources for providing needed service in the City, and has not had to adjust service or spending plans.

Sales tax, the main source of tax revenue in the City, has increased significantly this past year and continues to show signs of growth. The recent growth is due to a strong regional and State economy and not to additional new retail outlets. Two new significant retail developments will contribute to the sales tax base in future years. A Super Walmart is scheduled to be completed in July of 2007. A new strip type development was completed in the fall of 2006. These two projects will add approximately 270,000 square feet of retail space.

The City is also undertaking the revision of the General Development plan of the City's west side. This area is contemplated to be developed as light industrial and commercial office space. This area has the potential to be a significant employment center and contribute substantially to the City's property tax base.

Major Initiatives

Regional Transportation Projects

During Fiscal Year 2005-2006, City officials participated in two regional transportation projects that impact Centerville: Commuter Rail and Legacy Parkway.

Utah Transit Authority (UTA) began construction of a commuter rail line through Davis County. It will run through the entire length of Centerville along I-15 and the Union Pacific tracks. As the result of a cost-sharing agreement involving Centerville City, Davis County, UTA and the Union Pacific Railroad, several existing drainage culverts in poor condition were replaced and

enlarged at a cost of about \$1 million, improving flood protection for portions of the City.

The Legacy Parkway—a State freeway project stalled for years by legal challenges—received final approval. Centerville officials participated in the final design process, negotiating features that will impact Centerville, including interchange design, utility extensions, drainage and local roads affected by the Parkway. Construction should begin by the end of 2006.

Parks Improvements

The City made significant progress implementing the Parks Master Plan. An agreement was negotiated for the purchase of six acres to expand the Community Park. Phased construction of the new park in northeast Centerville began, including completion of Phase 1 and preparation of construction plans for Phases 2 and 3. Progress was also made on the Southwest Urban Trail system with the initial landscaping phase of the Porter Lane segment and preparation of construction drawings for the Bamberger Parkway segment. The south portion of the Frontage Road corridor was also landscaped as the first phase of an urban trail parkway that will eventually connect Centerville and Farmington. A total of \$650,000 was spent in Fiscal Year 2005-2006 for parks capital improvements.

Community Development

The Community Development Department continued to manage a heavy load of applications for both commercial and residential development in Fiscal Year 2005-2006. Two major commercial projects—a Wal-Mart Supercenter and the Centerville Marketplace retail project—received final approvals and began construction. Pineae Village, a 230-unit residential project on a former nursery site, received master plan approval and began site remediation prior to new development.

City officials continue to anticipate the construction of a broad-band fiber optic network in the community to be leased to providers of high speed data, voice and video services. Centerville is a member of the Utah Telecommunications Open Infrastructure Agency (UTOPIA), which is constructing the system in its member cities. Work in Centerville was planned for 2006, but due to a delay in securing financing, the start date has been pushed into 2007.

Public Works Projects

During Fiscal Year 2005-2006 the City completed several public works projects in accordance with its capital improvement plans, including street resurfacing and reconstruction, as well as replacement of several subdrains and water mains.

Regional Consolidation of Services

Regional emergency services were improved with the consolidation of the South Davis Fire District and Bountiful Fire Department, effective January 1, 2005. Centerville receives fire protection, ambulance and paramedic services from the new entity, named the South Davis Metro

Fire Agency.

Centerville City is also a member of the South Davis Recreation District, a regional entity approved by the voters during Fiscal Year 2004-2005. The new District is now constructing a \$20 million recreation facility to serve the residents of five cities.

Cash Management

The City receives banking services from Wells Fargo Bank. The City has accounts for payroll, accounts payable, RDA. Idle cash is invested by the City Treasurer in the Public Treasurer's Investment Fund managed by the Utah State Treasurer's office. The Treasurer's activities are regulated by the Utah State Money Management Act which stipulates investment guidelines for the proper management of investment portfolios.

Risk Management

The City is a member of Utah Risk Management Mutual Association (URMMA), a risk pool established in 1987 for liability insurance. The focus of the pool is to insure its members reduce risk and manage claims. Commercial insurance for property and equipment is purchased through cooperative agreements with URMMA to acquire group rates. The City, through URMMA, is very dedicated to risk management. Premium calculations include a modifier determined by a yearly inspection by URMMA for liability exposure.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Centerville City for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

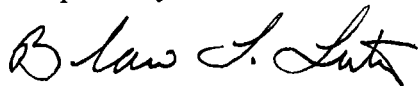
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and City employees in the

Community Development and Public Works departments. We would like to thank the Mayor and members of the City Council for their interest and support in the financial operations of the City, for demonstrating fiscal responsibility, and for striving to achieve the highest possible standards.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Blaine L. Lutz".

Blaine L. Lutz

Finance Director/Assistant City Manager

**CENTERVILLE CITY CORPORATION
PRINCIPAL OFFICIALS**

EXECUTIVE BUDGETARY

Steve H. Thacker
Blaine L. Lutz

City Manager
Finance Director/Asst. City Manager

STATUTORY APPOINTED OFFICIALS

Marilyn Holje
Jolene Jackson
David Miller

Recorder
Treasurer
Justice Court Judge

DEPARTMENT HEADS

Neal Worsley
Randy Randall
Bruce Cox
Corvin Snyder

Police Chief
Public Works Director
Parks/Recreation Director
Community Development Director

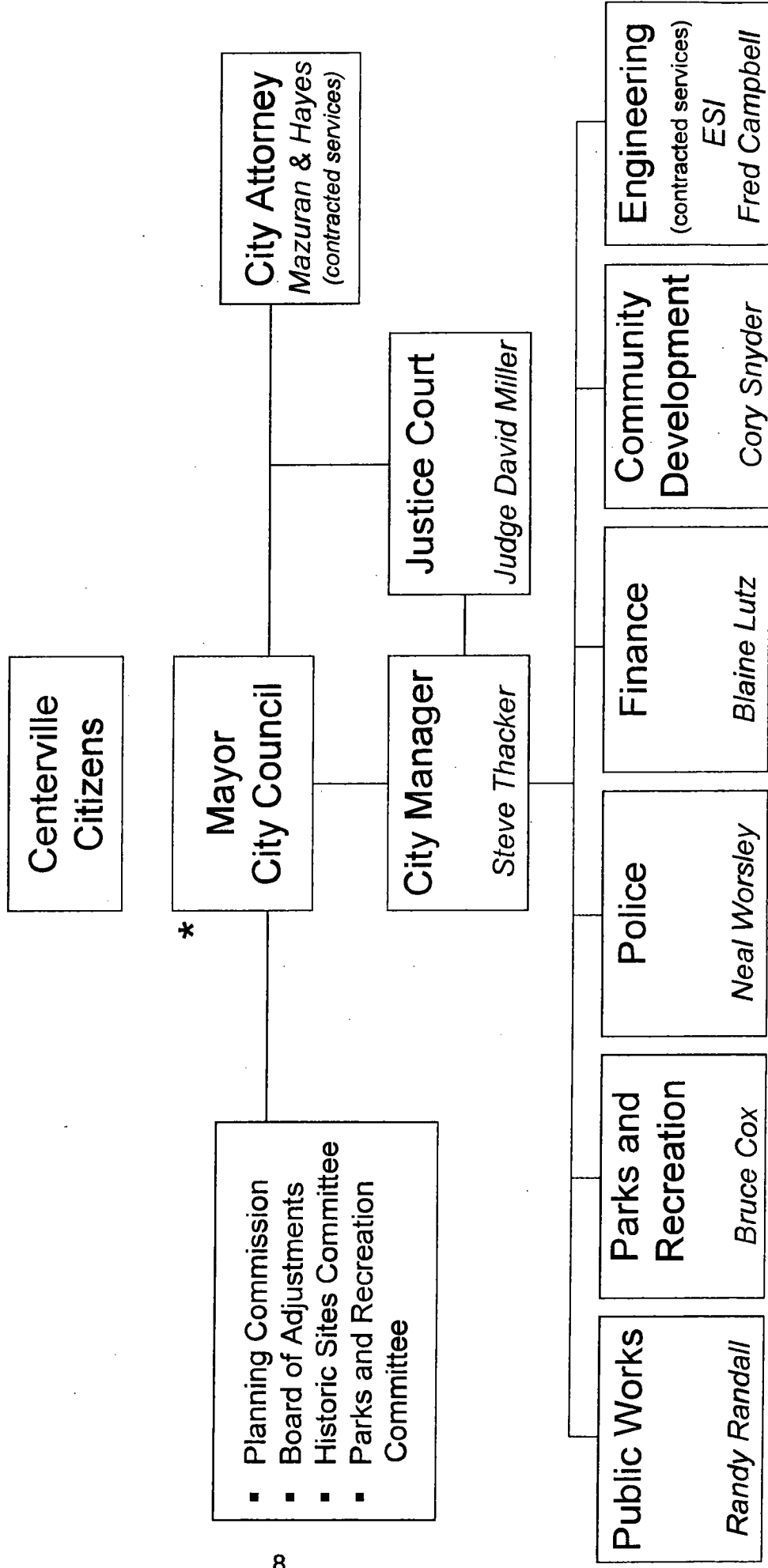
OTHER CITY OFFICIALS

Marsha Morrow
Paul Child
Fred Campbell
Lisa Romney

Deputy City Recorder
Police Lieutenant
Engineer
Attorney

CENTERVILLE CITY

ORGANIZATIONAL CHART



* Elected officials include: Mayor (Ron Russell) and City Council (Justin Allen, Paul Cutler, Jack Dellastatious, David Gutke, Sherri Lindstrom)

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Centerville City Corporation
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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FINANCIAL SECTION

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Centerville City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Centerville City Corporation, Utah (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Centerville City Corporation, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA

Jason L. Tanner, CPA
Robert D. Wood, CPA

Members of the
American Institute
of Certified Public
Accountants

Members of the
Private Company
Practice Section

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 13-24 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information and statistical tables are presented for purposes of additional analysis are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 4, 2006

Management's Discussion & Analysis

The management of Centerville City presents the following narrative and analysis of the financial statements and financial activities of Centerville City as prescribed by the Governmental Accounting Standards Board (GASB). The information and analysis pertains to the fiscal year ended June 30, 2006.

Financial Highlights

The assets of Centerville City exceeded its liabilities at June 30, 2006 by \$27,224,074 (net assets). Of this amount \$6,985,173 (unrestricted net assets), may be used to meet the City's ongoing obligations. \$18,635,018 is invested in capital assets net of debt while \$1,603,883 is restricted for debt service or construction.

Centerville's total net assets increased \$3,501,317 from the prior year. Primary factors for this net increase are; 1) Operations from governmental activities increased net assets by \$1,981,814 2) Capital grants and contributions, primarily contributions by developers of streets and related infrastructure including the underlying land, in the amount of \$875,000 3) Operations of business-type activities increased net assets by \$610,253.

Centerville's governmental funds reported a combined ending fund balances of \$5,809,333 at June 30, 2006, a \$979,509 change from the previous year. Of the ending fund balances, \$2,183,264 is available for spending at the City's discretion (unreserved fund balance), a \$444,774 increase from the previous period.

At June 30, 2006, unreserved fund balance of the general fund was \$1,566,842 or 25.57% of total general fund expenditures for the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Centerville City's basic financial statements. Centerville City's basic financial statements comprise of four components. 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, 4) other supplementary statistical information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of Centerville City's finances, in a manner similar to private sector businesses.

The *statement of net assets* presents information on all of Centerville City's assets and liabilities, with difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as an indicator of changes in financial position of the City.

The *statement of activities* presents information showing how Centerville City's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future periods. For example, uncollected taxes that have been levied but not received.

Both of the government-wide financial statements distinguish functions of Centerville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Centerville City include general government, police, community development, streets and public improvements, parks and recreation. The business type activities of Centerville City include services for culinary water, storm and sub-surface water and solid waste.

The government-wide financial statements include Centerville City (known as the primary government) and two separate legal entities (known as component units). The financial information for the Centerville City Redevelopment Agency Redevelopment Agency (RDA), and the Centerville City Municipal Building Authority, are included in the statements. However, because the City's governing body is the same as the governing boards of both of these component units and can substantially control them, their financial information is blended and reported together with the financial information presented for the primary government.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Centerville City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related laws and refutations. All of the funds of Centerville City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the near term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with the similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the City's near term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in the fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Centerville City maintains eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the general fund and Redevelopment Agency, both of which are considered major funds. Data from the other nine (9) governmental

funds are combined into a single, aggregate presentation. Individual fund data for each governmental fund is provided in the form of individual and combining statements elsewhere in the report.

Centerville City adopts an annual budget for its two major governmental funds, the general fund as well as the Centerville City Redevelopment Agency. A budgetary comparison statement has been provided for the general fund and Redevelopment Agency to demonstrate compliance with budget.

Proprietary funds - Centerville City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements. The City uses enterprise funds to account for water, solid waste collection, and drainage.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and drainage funds because they are considered as major funds. Solid waste collection is considered to be the only non-major fund therefore it is presented in conjunction with the major funds under other proprietary funds-sanitation.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents combining and individual schedules referred to earlier in connection with the non-major governmental funds. They are presented immediately following the notes to the financial statements. Selected statistical information is presented in tabular form. Auditors reports on compliance are also included at the end of the document.

Government-wide Financial analysis

As noted earlier, net assets is an indicator of a government's financial position. In the case of Centerville City, assets exceeded liabilities by \$27,224,074 at June 30, 2006.

The largest portion of the City's net assets \$18,635,018 or 68.45% reflects investments in capital assets including land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities.

A portion of the City's net assets \$1,603,883, or 5.89% represents resources that are subject to external restrictions on how they may be utilized. The remaining balance of unrestricted net assets \$6,985,173 may be used to meet the ongoing obligations to citizens and creditors.

Centerville City Net Assets

| | Governmental Activities 2006 | Governmental Activities 2005 | Business-Type Activities 2006 | Business-Type Activities 2005 | Total 2006 | Total 2005 |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------|---------------|
| Current and other assets | \$9,198,153 | \$8,065,753 | \$1,706,716 | \$1,880,546 | \$10,904,869 | \$9,946,299 |
| Capital assets | \$11,599,451 | \$9,976,712 | \$11,894,814 | \$11,294,421 | \$23,494,265 | \$21,271,133 |
| Total assets | \$20,797,604 | \$18,042,465 | \$13,601,530 | \$13,174,967 | \$34,399,134 | \$31,217,432 |
| Long-term liabilities | \$1,484,343 | \$1,634,496 | \$3,724,653 | \$3,887,643 | \$5,208,996 | \$5,522,139 |
| Other liabilities | \$1,801,723 | \$1,753,245 | \$164,341 | \$219,290 | \$1,966,064 | \$1,972,535 |
| Total liabilities | \$3,286,066 | \$3,387,741 | \$3,888,994 | \$4,106,933 | \$7,175,060 | \$7,494,674 |
| <u>Net assets</u> | | | | | | |
| Invested in capital assets, net of related debt | \$10,436,204 | \$8,650,016 | \$8,198,814 | \$7,437,421 | \$18,635,018 | \$16,087,437 |
| Restricted | \$0 | \$0 | \$1,603,883 | \$1,535,871 | \$1,603,883 | \$1,535,871 |
| Unrestricted | \$7,075,334 | \$6,004,708 | \$(90,161) | \$94,741 | \$6,985,173 | \$6,099,449 |
| Total net assets | \$17,511,538 | \$14,654,724 | \$9,712,536 | \$9,068,033 | \$27,224,074 | \$23,722,757 |

At the end of the current fiscal year the City was able to report positive balances in all three categories of net assets for the government as a whole, as well as for separate governmental activities, and business-type activities.

Centerville City Change in Net Assets

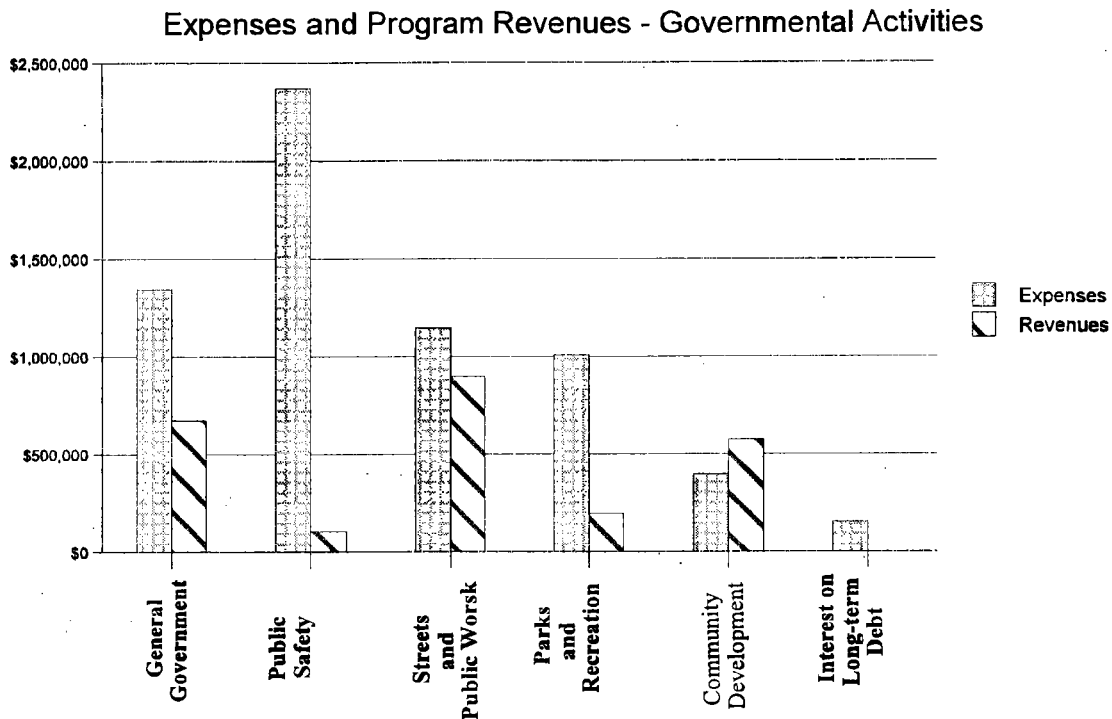
| | Governmental Activities 2006 | Governmental Activities 2005 | Business-type Activities 2006 | Business-type Activities 2005 | Total 2006 | Total 2005 |
|---|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------|---------------|
| Revenues | | | | | | |
| <u>Program revenues</u> | | | | | | |
| Charges for services | \$1,456,062 | \$1,417,565 | \$3,106,216 | \$2,958,907 | \$4,562,278 | \$4,376,472 |
| Operating grants and contributions | \$115,683 | \$42,682 | | | \$115,683 | \$42,682 |
| Capital grants and contributions | \$875,000 | \$2,458,208 | \$34,250 | \$410,000 | \$909,250 | \$2,868,208 |
| <u>General revenue</u> | | | | | | |
| Property tax and uniform vehicle fees | \$1,878,705 | \$1,667,607 | | | \$1,878,705 | \$1,667,607 |
| Other taxes | \$4,130,856 | \$3,698,607 | | | \$4,130,856 | \$3,698,607 |
| Other | \$371,281 | \$290,599 | \$92,175 | \$54,320 | \$463,456 | \$344,919 |
| Total revenue | \$8,827,587 | \$9,575,268 | \$3,232,641 | \$3,423,227 | \$12,060,228 | \$12,998,494 |
| Expenses | | | | | | |
| General government | \$1,344,814 | \$1,210,438 | | | \$1,344,814 | \$1,210,438 |
| Public Safety | \$2,368,844 | \$2,223,122 | | | \$2,368,844 | \$2,223,122 |
| Streets and public works | \$1,146,997 | \$1,307,744 | | | \$1,146,997 | \$1,307,744 |
| Parks and recreation | \$1,009,363 | \$861,866 | | | \$1,009,363 | \$861,866 |
| Community development | \$396,376 | \$322,135 | | | \$396,376 | \$322,135 |
| Interest on long-term debt | \$153,444 | \$161,735 | | | \$153,444 | \$161,735 |
| Water | | | \$1,167,370 | \$1,179,885 | \$1,167,370 | \$1,179,885 |
| Sanitation | | | \$623,259 | \$622,042 | \$623,259 | \$622,042 |
| Storm drain | | | \$348,444 | \$452,361 | \$348,444 | \$452,361 |
| Total expenses | \$6,419,838 | \$6,087,040 | \$2,139,073 | \$2,254,288 | \$8,558,911 | \$8,341,321 |
| Increase in net assets before transfers | \$2,407,749 | \$3,488,228 | \$1,093,568 | \$1,168,939 | \$3,501,317 | \$4,657,167 |
| Transfers | \$449,065 | \$441,798 | (\$449,065) | (\$441,798) | \$0 | \$0 |
| Increase (decrease) in net assets | \$2,856,814 | \$3,930,026 | \$644,503 | \$727,141 | \$3,501,317 | \$4,657,167 |
| Net assets, beginning | \$14,654,724 | \$10,724,698 | \$9,068,033 | \$8,340,892 | \$23,722,757 | \$19,065,590 |
| Net assets, ending | \$17,511,538 | \$14,654,724 | \$9,712,536 | \$9,068,033 | \$27,224,074 | \$23,722,757 |

Governmental Activities

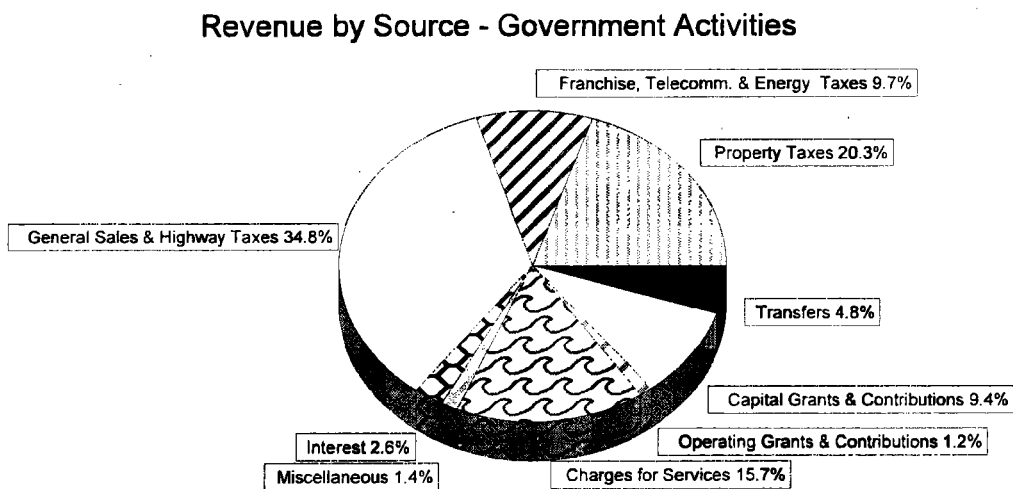
As noted in the table above, governmental activities increased net assets by \$2,856,814. Key elements of this increase were:

1. Operations from governmental activities increased net assets by \$1,981,814, including transfers of \$449,065.
2. Capital grants and contributions, primarily contributions by developers of streets and related infrastructure including the underlying land, in the amount of \$875,000.

The following chart displays the governmental activities expenses compared to the program revenues attributed to the activity. Traditionally, governmental activities are funded by general revenue sources and not charges for direct services.



The following chart displays the major sources of governmental activity revenue. Taxes account for 64.80% of revenue that funds governmental activity.

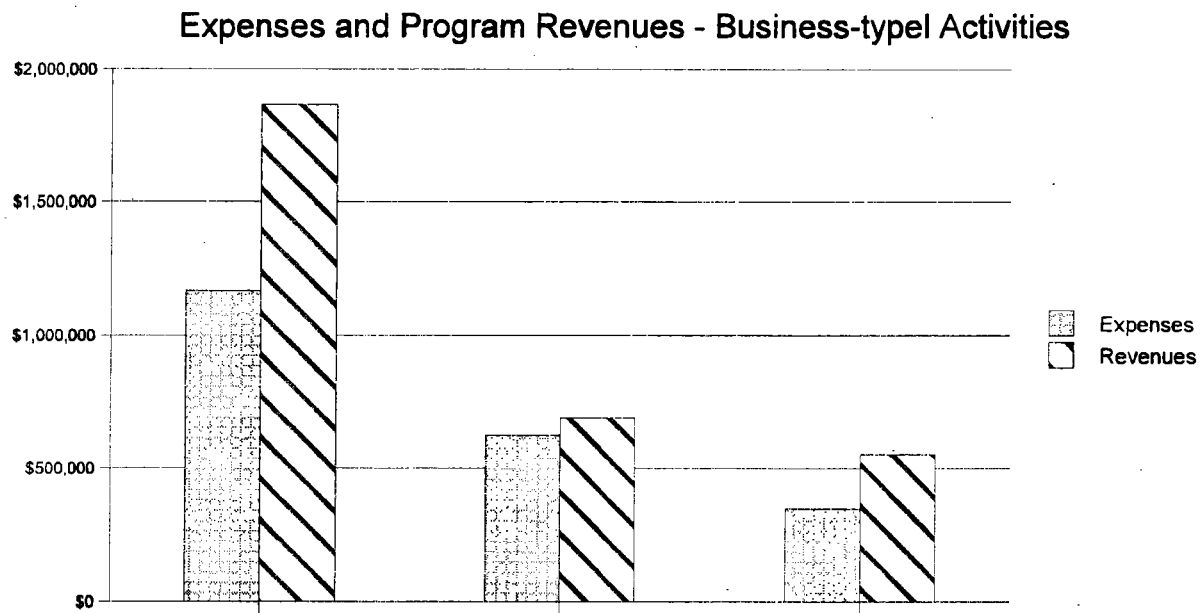


Business-type activities

As noted in the table "Centerville City Changes in Net Assets" business-type activities increased net assets of \$644,503. Key elements of this increase were:

1. Operations of business-type activities increased net assets by \$610,253.
2. Capital contributions of business type activities from developers for utilities and related infrastructure in the amount of \$34,250.

The following chart displays business-type activities compared to program expenses attributed to the activity. Traditionally business-type activities are self supporting.



Business-type activities are generally funded by charges for services, 100% of the revenues for business-type activities comes from charges for services.

Financial Analysis of the Governments Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

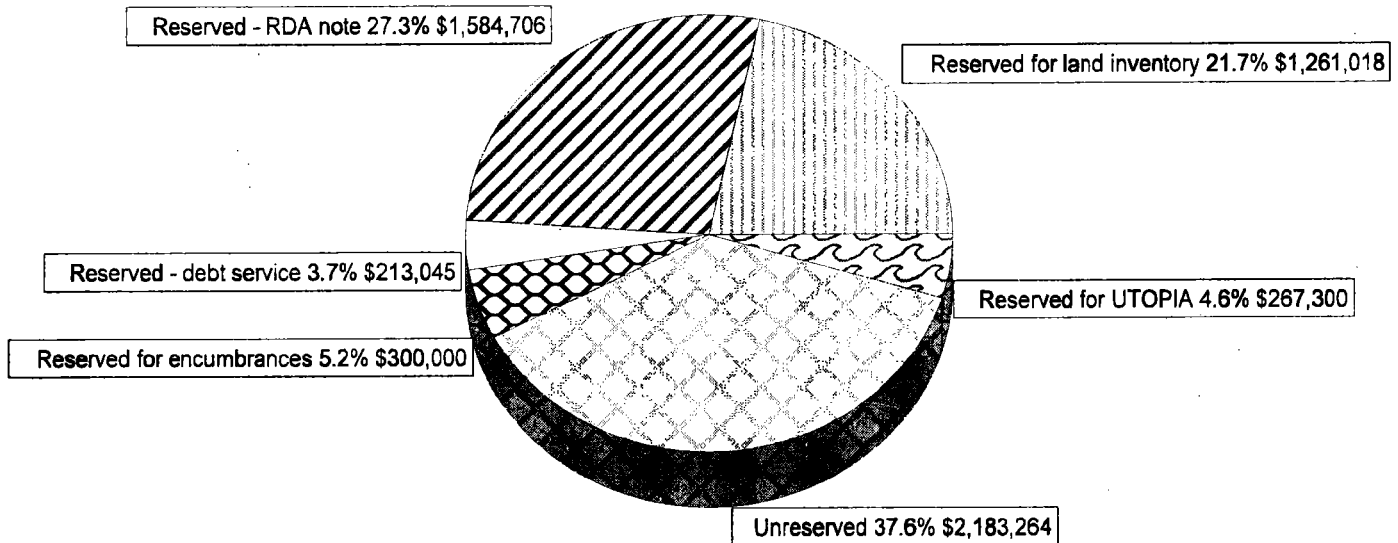
Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance is a useful measure of the government's net resources available for spending at the end of the fiscal year.

At June 30, 2006, the City's governmental funds reported a combined ending fund balance of \$5,809,333 an increase of \$979,509 or approximately 20.28% over the prior period. Approximately 37.6% of the total amount, or \$2,183,264 constitutes unreserved fund balance, which is available for spending at the government's discretion. This is an increase of \$444,774 from the prior period. The reserved fund balance is not available for new spending as it has already been committed for a specific purpose. However two reserved amounts, Reserved for encumbrances and Reserved for UTOPIA will be used for commitments in the next two financial periods.

The following chart depicts the governmental fund reserved and unreserved fund balances.

Governmental Funds - Reserved/Unreserved Fund Balances



The general fund is the main operating fund of the City. At June 30, 2006, unreserved fund balance of the general fund was \$1,566,642, an increase of \$469,324. The total general fund balance was \$3,718,648. A comparison of the unreserved fund balance and the total fund balance to total fund expenditures is a measure of liquidity. Unreserved fund balance was equal to 24.13% of total general fund expenditures and total fund balance was equal to 57.28% of total general fund expenditures. The general fund balance increased by 37.20 % or \$1,008,400 during the fiscal year ending June 30, 2006. The primary factors were the net revenues over expenditures, \$643,409. This is due the strong revenue receipts during the period, especially taxes and interest. Operating expenditures had a very minor decrease of \$6,833.

The other major governmental fund, the redevelopment agency fund, had unreserved fund balance of \$267,841 while the total fund balance was \$1,528,859, a majority of which is reserved for land, \$1,261,018. This fund had an increase in total fund balance of \$440,987, 40.54%, which is a result of normal operations.

Other Governmental funds had a net decrease in fund balances, (\$469,878). This was primarily due to the amount of fund balance used for expenditures in the Parks Capital project fund.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Water fund

Unrestricted net assets at June 30, 2006 were \$271,561, and total net assets equaled \$8,078,948. Total net assets increased by 5.31% or \$408,079. This increase was a result of normal operations.

Drainage Utility

Unrestricted net assets at June 30, 2006 were (\$553,495), and total net assets equaled \$1,379,843. Total net assets increased by 20.0% or \$228,658. This increase was a result of normal operations and investment.

Other proprietary

Other non-major proprietary funds, Sanitation, net assets totaled \$253,745, an increase of \$7,766 or 3.00%, at June 30, 2006. Of that amount \$191,773 are unrestricted net assets. The moderate increase in net assets was from normal operations during the year.

General fund budgetary highlights

During the fiscal year the general fund budget was amended from \$6,804,209, (\$6,636,792 expenditures and \$167,417 transfers out) to \$6,991,259, which includes \$6,823,842 expenditures and \$167,417 transfers out. This reflects an increase of \$187,050 or 2.75%.

Budget increases were for general operating expenditures: municipal council \$16,000, legal services \$28,100, fire services (\$16,000) decrease, public safety \$10,950, streets and public works \$55,000, community development \$70,000, and parks and recreation \$23,000.

Increases were funded by \$26,500 increase in budgeted taxes, a \$75,000 increase of licenses and permits, \$3,100 intergovernmental grant revenue for police, \$75,000 additional charges for services for construction and development fees, and \$7,450 miscellaneous revenue.

Capital Assets and Debt Administration

Centerville City's investment in capital assets for governmental and business-type activities at June 30, 2006 was \$23,494,265 (net of depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment, autos and trucks, furniture and fixtures. The City's total investment in capital assets increased by \$2,223,133 or 10.45%. Governmental activities increased \$1,622,740 or 16.26%. Business type activities increased \$600,393 or 5.31%.

Major capital asset events during the current year were:

- 1) The increase to governmental activities was primarily due to contributed capital assets by developers of roads and related infrastructure including land in the amount of \$1,530,669.
- 2) Investment of business type activities in water distribution systems, sub-drain and storm drain systems in the amount of \$1,081,737, construction in progress reducing by (\$219,632) from the prior period, and realizing \$283,047 additional depreciation of assets.

Centerville City Capital Assets (Net of depreciation)

| | Governmental Activities 2006 | Governmental Activities 2005 | Business-Type Activities 2006 | Business-type Activities 2005 | Total 2006 | Total 2005 |
|-----------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------|---------------|
| Land | \$5,074,276 | \$4,489,276 | \$177,122 | \$177,122 | \$5,251,398 | \$4,666,398 |
| Buildings | \$2,836,780 | \$2,936,832 | \$2,055,737 | \$2,105,388 | \$4,892,517 | \$5,042,220 |
| Improvements other than buildings | \$8,832 | \$9,650 | \$48,617 | \$48,617 | \$57,449 | \$58,267 |
| Machinery & equipment | \$214,087 | \$191,631 | \$246,408 | \$249,463 | \$460,495 | \$441,094 |
| Distribution & collection systems | \$0 | \$0 | \$9,014,900 | \$8,142,169 | \$9,014,900 | \$8,142,169 |
| Autos & trucks | \$656,855 | \$553,523 | \$0 | \$0 | \$656,855 | \$553,523 |
| Infrastructure | \$2,281,370 | \$1,363,036 | \$0 | \$0 | \$2,281,370 | \$1,363,036 |
| Furniture & fixtures | \$56,090 | \$56,813 | \$0 | \$0 | \$56,090 | \$56,813 |
| Construction in Process | \$471,161 | \$375,951 | \$352,030 | \$571,662 | \$823,191 | \$947,613 |
| Total | \$11,599,451 | \$9,976,712 | \$11,894,814 | \$11,294,421 | \$23,494,265 | \$21,271,133 |

Additional information on the City's capital assets is available in the Detailed Notes for All Funds to the financial statements (see notes to Financial Statements, Capital Assets pages 47-49).

Long term debt

On June 30, 2006 the long term outstanding debt of the City was \$4,859,247. Of this amount \$8,000 is considered general obligation debt, \$4,427 capital lease, and \$4,851,000 revenue bonds (\$1,115,000 governmental activities and \$3,696,000 business-type activities). For additional information on the City's long term debt, refer to the Detailed Notes for All Funds to the financial statements.

Centerville City Outstanding Long Term Debt

| | Governmental Activities 2006 | Governmental Activities 2005 | Business-type Activities 2006 | Business-type Activities 2005 | Total 2006 | Total 2005 |
|--------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------|--------------------|
| General obligation | \$4,000 | \$8,000 | \$0 | \$0 | \$4,000 | \$8,000 |
| Capital lease | \$4,427 | \$8,696 | \$0 | \$0 | \$4,427 | \$8,696 |
| Revenue bonds | \$1,155,000 | \$1,310,000 | \$3,696,000 | \$3,857,000 | \$4,851,000 | \$5,167,000 |
| Total | <u>\$1,163,427</u> | <u>\$1,326,696</u> | <u>\$3,696,000</u> | <u>\$3,857,000</u> | <u>\$4,859,247</u> | <u>\$5,183,696</u> |

Additional information on the City's capital assets is available in the Detailed Notes for All Funds to the financial statements (see notes to Financial Statements, Changes in Long-Term Liabilities page 51).

Economic Factors and Next Year's Budget and Rates

1. The Utah and local economy remains strong. One indicator of this is the low unemployment rate. The unemployment rate for Davis County as reported by the Utah Department of Workforce Services was has dropped to record low levels of approximately 2.5%. Job growth in the State of Utah continues to be one of the highest in the country. The local economy should continue to stay strong for the next several years fueled in part by several major construction projects including the Legacy Parkway, completion of Commuter Rail, and other commercial real estate projects in the area.
2. Sales taxes are the largest single source of revenue for governmental operations of the City. Retail sales are expected to increase by approximately 6% for 2006-2007. Early indications show that actual gains in retail sales in the State of Utah may increase as much as 10% during the next year. It is anticipated that a Walmart Supercenter will be complete in the City in July 2007, which could significantly increase the City's tax revenue. An additional 65,000 feet of retail space will open in the fall of 2006 and a new 90,000 retail store is proposed and could be open by the fall of 2007. There is also a proposed a 60,000 square foot class A office building in the City. The City is undertaking the planning of several hundred acres on its west side. Preliminary plans are contemplating light industrial and commercial offices. This area has the potential to be a major employment center for the region. A city-wide fiber optic system will begin construction in the spring of 2007. This system will provide fiber to every home and business in the City enhancing business development and quality of life.
3. No new fees or tax increases for the fiscal year 2006-2007 budget. There are also no major operating

cost increases anticipated in the coming year.

4. The City is in negotiations to sell two parcel of property in the next year. The proceeds from these properties could equal approximately \$2,400,000. Although the City has not encumbered these funds, it is anticipated that the proceeds will be used for capital facilities such as parks and buildings.

Request for Information

This financial report is designed to provide a general overview of Centerville City's activities for those with an interest in the City's operations and financial position. Questions concerning the information provided in this report or requests for additional financial information should be addressed to: Centerville City, Finance Director, 250 North Main Centerville, Utah 84014.

CENTERVILLE CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2006

| | Governmental Activities | Business-type Activities | TOTAL |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,518,698 | \$ 559,160 | \$ 5,077,858 |
| Receivables | | | |
| Property and other taxes | 2,222,517 | - | 2,222,517 |
| Accounts | 434 | 255,047 | 255,481 |
| Other | - | 31,000 | 31,000 |
| Internal balances | 831,550 | (831,550) | - |
| Due from other governments | 98,101 | - | 98,101 |
| Bond issuance costs | 36,314 | 81,423 | 117,737 |
| Restricted assets | | | |
| Cash and cash equivalents | 222,935 | 1,611,636 | 1,834,571 |
| Special assessment receivables | 6,586 | - | 6,586 |
| Land held for resale | 1,261,018 | - | 1,261,018 |
| Water stock and rights | - | 48,617 | 48,617 |
| Land | 5,074,276 | 177,122 | 5,251,398 |
| Buildings | 3,992,275 | 2,373,680 | 6,365,955 |
| Improvements other than buildings | 62,283 | 984,857 | 1,047,140 |
| Machinery and equipment | 925,406 | 1,110,639 | 2,036,045 |
| Distribution and collection systems | - | 10,554,984 | 10,554,984 |
| Autos and trucks | 1,701,393 | - | 1,701,393 |
| Infrastructure | 2,310,485 | - | 2,310,485 |
| Construction in progress | 471,161 | 352,030 | 823,191 |
| Accumulated depreciation | (2,937,828) | (3,707,115) | (6,644,943) |
| Total assets | 20,797,604 | 13,601,530 | 34,399,134 |
| LIABILITIES | | | |
| Accounts payable | 687,684 | 81,305 | 768,989 |
| Accrued interest payable | 22,583 | 62,643 | 85,226 |
| Accrued liabilities | 111,104 | 11,453 | 122,557 |
| Unearned revenue | 27,717 | - | 27,717 |
| Deposits and bonds held | 952,635 | 8,940 | 961,575 |
| Non current liabilities | | | |
| Due within one year | 383,343 | 192,653 | 575,996 |
| Due in more than one year | 1,101,000 | 3,532,000 | 4,633,000 |
| Total liabilities | 3,286,066 | 3,888,994 | 7,175,060 |
| NET ASSETS | | | |
| Invested in capital assets, net of debt | 10,436,204 | 8,198,814 | 18,635,018 |
| Restricted for | | | |
| Debt service | - | 294,276 | 294,276 |
| Construction | - | 1,309,607 | 1,309,607 |
| Unrestricted | 7,075,334 | (90,161) | 6,985,173 |
| Total net assets | \$ 17,511,538 | \$ 9,712,536 | \$ 27,224,074 |

The notes to the financial statements are an integral part of this statement.

CENTERVILLE CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

| | Program Revenues | | | | Net Governmental Activities | Business-type Activities | Total |
|---|------------------|-------------------------|---------------------------------------|-------------------------------------|--------------------------------|-----------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | | |
| Governmental activities | | | | | | | |
| General government | \$ 1,344,814 | \$ 673,186 | \$ - | \$ - | \$ (671,628) | \$ - | \$ (671,628) |
| Public safety | 2,368,844 | - | 105,903 | - | (2,262,941) | - | (2,262,941) |
| Streets and public works | 1,146,997 | 17,211 | 5,780 | 875,000 | (249,006) | - | (249,006) |
| Parks and recreation | 1,009,363 | 194,926 | - | - | (814,437) | - | (814,437) |
| Community development | 396,376 | 570,739 | 4,000 | - | 178,363 | - | 178,363 |
| Interest on long-term debt | 153,444 | - | - | - | (153,444) | - | (153,444) |
| Total governmental activities | 6,419,838 | 1,456,062 | 115,683 | 875,000 | (3,973,093) | - | (3,973,093) |
| Business-type activities | | | | | | | |
| Water | 1,167,370 | 1,864,538 | - | - | - | 697,168 | 697,168 |
| Sanitation | 623,259 | 688,237 | - | - | - | 64,978 | 64,978 |
| Storm drain | 348,444 | 553,441 | - | 34,250 | - | 239,247 | 239,247 |
| Total business-type activities | 2,139,073 | 3,106,216 | - | 34,250 | - | 1,001,393 | 1,001,393 |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | | | | | 1,878,705 | - | 1,878,705 |
| Franchise taxes | | | | | 901,116 | - | 901,116 |
| General sales taxes and highway sales taxes | | | | | 3,229,740 | - | 3,229,740 |
| Interest income | | | | | 241,381 | 92,175 | 333,556 |
| Miscellaneous | | | | | 129,900 | - | 129,900 |
| Transfers | | | | | 449,065 | (449,065) | - |
| Total general revenues and transfers | | | | | 6,829,907 | (356,890) | 6,473,017 |
| Change in net assets | | | | | 2,856,814 | 644,503 | 3,501,317 |
| Net assets - beginning | | | | | 14,654,724 | 9,068,033 | 23,722,757 |
| Net assets - ending | | | | | \$ 17,511,538 | \$ 9,712,536 | \$ 27,224,074 |

The notes to the financial statements are an integral part of this statement.

Centerville City Corporation
June 30, 2006

Balance Sheet -
Governmental Funds

| | General | Redevelopment Agency | Other Governmental | Totals Governmental Funds |
|--|---------------------|-------------------------|-----------------------|---------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 2,253,332 | \$ 1,852,547 | \$ 412,819 | \$ 4,518,698 |
| Receivables: | | | | |
| Sales, property and franchise taxes | 1,513,220 | 709,297 | - | 2,222,517 |
| Accounts | 434 | - | - | 434 |
| Class C road funds | 98,101 | - | - | 98,101 |
| Due from other funds | 858,661 | - | - | 858,661 |
| Note receivable - interfund | 1,584,706 | - | - | 1,584,706 |
| Land held for resale | - | 1,261,018 | - | 1,261,018 |
| Restricted assets | | | | |
| Cash and cash equivalents | - | - | 222,935 | 222,935 |
| Special assessments receivables | - | - | 6,586 | 6,586 |
| Total assets | \$ 6,308,454 | \$ 3,822,862 | \$ 642,340 | \$ 10,773,656 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 649,134 | \$ - | \$ 38,550 | \$ 687,684 |
| Accrued liabilities | 98,592 | - | 12,512 | 111,104 |
| Payable from restricted assets: | | | | |
| Deferred revenue | 27,717 | - | 2,341 | 30,058 |
| Deferred revenue - property taxes | 861,728 | 709,297 | - | 1,571,025 |
| Due to other funds | - | - | 27,111 | 27,111 |
| Deposits/bonds held | 952,635 | - | - | 952,635 |
| Note payable - interfund | - | 1,584,706 | - | 1,584,706 |
| Total liabilities | 2,589,806 | 2,294,003 | 80,514 | 4,964,323 |
| Fund balances (deficit): | | | | |
| Reserved: | | | | |
| Reserved for encumbrances | 300,000 | - | - | 300,000 |
| Reserved for UTOPIA | 267,300 | - | - | 267,300 |
| Reserved for land inventory | - | 1,261,018 | - | 1,261,018 |
| Reserved for RDA note | 1,584,706 | - | - | 1,584,706 |
| Reserved for debt service | - | - | 213,045 | 213,045 |
| Unreserved reported in: | | | | |
| General fund | 1,566,642 | - | - | 1,566,642 |
| Redevelopment Agency fund | - | 267,841 | - | 267,841 |
| Special revenue funds | - | - | (8,688) | (8,688) |
| Capital projects funds | - | - | 357,469 | 357,469 |
| Total fund balances | 3,718,648 | 1,528,859 | 561,826 | 5,809,333 |
| Total liabilities and fund balances | \$ 6,308,454 | \$ 3,822,862 | \$ 642,340 | |

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

11,599,451

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

1,609,680

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(1,506,926)

Net assets of governmental activities

17,511,538

The accompanying notes are an integral part of the financial statements.

Centerville City Corporation
Year Ended June 30, 2006

Statement of Revenues, Expenditures, and Changes In Fund Balances
Governmental Funds

| | General | Redevelopment Agency | Other Governmental | Total Governmental Funds |
|--|--------------------|-------------------------|-----------------------|--------------------------------|
| Revenues: | | | | |
| Taxes | \$4,721,452 | \$ 726,982 | \$ - | \$ 5,448,434 |
| Special assessments | - | - | 3,129 | 3,129 |
| Licenses and permits | 446,572 | - | - | 446,572 |
| Intergovernmental | 569,187 | - | - | 569,187 |
| Charges for services | 260,199 | - | 212,137 | 472,336 |
| Fines and forfeitures | 534,025 | - | - | 534,025 |
| Interest | 192,964 | - | 48,417 | 241,381 |
| Miscellaneous | 46,513 | - | 86,387 | 132,900 |
| Total revenues | 6,770,912 | 726,982 | 350,070 | 7,847,964 |
| Expenditures: | | | | |
| Current operating: | | | | |
| General government | 1,219,986 | - | 3,856 | 1,223,842 |
| Public safety | 2,460,052 | - | - | 2,460,052 |
| Streets and public works | 1,270,520 | - | - | 1,270,520 |
| Community development | 366,249 | 27,275 | - | 393,524 |
| Parks and recreation | 810,696 | - | 148,889 | 959,585 |
| Capital outlay | - | - | 691,711 | 691,711 |
| Debt service: | | | | |
| Principal retirement | - | - | 159,000 | 159,000 |
| Interest and fiscal charges | - | 96,776 | 59,510 | 156,286 |
| Total expenditures | 6,127,503 | 124,051 | 1,062,966 | 7,314,520 |
| Excess (deficiency) of revenues over expenditures | 643,409 | 602,931 | (712,896) | 533,444 |
| Other financing sources (uses): | | | | |
| Transfers in | 528,872 | - | 275,841 | 804,713 |
| Transfers (out) | (163,881) | (161,944) | (32,823) | (358,648) |
| Total other financing sources (uses) | 364,991 | (161,944) | 243,018 | 446,065 |
| Net change in fund balance | 1,008,400 | 440,987 | (469,878) | 979,509 |
| Fund balance - beginning of year | 2,710,248 | 1,087,872 | 1,031,704 | 4,829,824 |
| Fund balance - end of year | \$3,718,648 | \$ 1,528,859 | \$ 561,826 | \$ 5,809,333 |

The accompanying notes are an integral part of the financial statements.

CENTERVILLE CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 26) are different because:

| | |
|--|------------|
| Net change in fund balances - total governmental funds (page 28) | \$ 979,509 |
|--|------------|

| | |
|---|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and capital contributions exceeded depreciation in the current period. | 1,622,739 |
|---|-----------|

| | |
|--|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 107,623 |
|--|---------|

| | |
|--|---------|
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 157,397 |
|--|---------|

| | |
|--|-------------------|
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. | (<u>10,454</u>) |
|--|-------------------|

| | |
|---|--------------------|
| Change in net assets of governmental activities (page 26) | <u>\$2,856,814</u> |
|---|--------------------|

The notes to the financial statements are an integral part of this statement.

Centerville City Corporation

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2006**

General Fund

| | Original Budget | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| Revenues: | | | | |
| Taxes | \$ 4,381,458 | \$ 4,407,958 | \$ 4,721,452 | \$ 313,494 |
| Licenses and permits | 297,575 | 372,575 | 446,572 | 73,997 |
| Intergovernmental | 629,037 | 632,137 | 569,187 | (62,950) |
| Charges for services | 139,327 | 214,327 | 260,199 | 45,872 |
| Fines and forfeitures | 490,000 | 490,000 | 534,025 | 44,025 |
| Interest | 35,200 | 35,200 | 192,964 | 157,764 |
| Miscellaneous | 41,400 | 48,850 | 46,513 | (2,337) |
| Total revenues | 6,013,997 | 6,201,047 | 6,770,912 | 569,865 |
| Expenditures: | | | | |
| Current operating: | | | | |
| General government: | | | | |
| Administration | 330,026 | 330,026 | 321,120 | 8,906 |
| Municipal council | 100,621 | 116,621 | 81,003 | 35,618 |
| Finance | 399,793 | 399,793 | 391,410 | 8,383 |
| Legal | 319,116 | 347,216 | 337,671 | 9,545 |
| Nondepartmental | 87,872 | 87,872 | 88,782 | (910) |
| Total general government | 1,237,428 | 1,281,528 | 1,219,986 | 61,542 |
| Fire | 617,645 | 601,645 | 601,988 | (343) |
| Public safety | 1,996,724 | 2,007,674 | 1,858,064 | 149,610 |
| Streets and public works | 1,634,029 | 1,689,029 | 1,270,520 | 418,509 |
| Community development | 332,155 | 402,155 | 366,249 | 35,906 |
| Parks and recreation | 818,811 | 841,811 | 810,696 | 31,115 |
| Total expenditures | 6,636,792 | 6,823,842 | 6,127,503 | 696,339 |
| Excess (deficiency) of revenues over expenditures | (622,795) | (622,795) | 643,409 | 1,266,204 |
| Other financing sources (uses): | | | | |
| Transfers in | 576,105 | 576,105 | 528,872 | (47,233) |
| Transfers (out) | (167,417) | (167,417) | (163,881) | 3,536 |
| Total other financing sources (uses) | 408,688 | 408,688 | 364,991 | (43,697) |
| Net change in fund balance | (214,107) | (214,107) | 1,008,400 | 1,222,507 |
| Fund balance - beginning of year | 2,710,248 | 2,710,248 | 2,710,248 | - |
| Fund balance - end of year | \$ 2,496,141 | \$ 2,496,141 | \$ 3,718,648 | \$ 1,222,507 |

The accompanying notes are an integral part of the financial statements.

Centerville City Corporation

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2006
Redevelopment Agency Special Revenue Fund**

| | Original Budget | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| Revenues: | | | | |
| Taxes | \$ 640,000 | \$ 640,000 | \$ 726,982 | \$ 86,982 |
| Miscellaneous | 55,776 | 55,776 | - | (55,776) |
| Total revenues | 695,776 | 695,776 | 726,982 | 31,206 |
| Expenditures: | | | | |
| Current operating: | | | | |
| Community development | 505,776 | 505,776 | 27,275 | 478,501 |
| Debt service: | | | | |
| Interest and fiscal charges | 125,000 | 125,000 | 96,776 | 28,224 |
| Total expenditures | 630,776 | 630,776 | 124,051 | 506,725 |
| Excess (deficiency) of revenues over expenditures | 65,000 | 65,000 | 602,931 | 537,931 |
| Other financing sources (uses): | | | | |
| Transfers (out) | (65,000) | (65,000) | (161,944) | (96,944) |
| Total other financing sources (uses) | (65,000) | (65,000) | (161,944) | (96,944) |
| Net change in fund balance | - | - | 440,987 | 440,987 |
| Fund balance - beginning of year | 1,087,872 | 1,087,872 | 1,087,872 | - |
| Fund balance - end of year | <u>\$ 1,087,872</u> | <u>\$ 1,087,872</u> | <u>\$ 1,528,859</u> | <u>\$ 440,987</u> |

The accompanying notes are an integral part of the financial statements.

Centerville City Corporation

Year ended June 30, 2006

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

| | Water Fund | Drainage Utility Fund | Other Proprietary Fund - Sanitation | Total Proprietary Funds |
|---|---------------|-----------------------------|--|-------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 1,167,509 | \$ 553,441 | \$ 678,927 | \$ 2,399,877 |
| Delinquent charges | 8,711 | - | - | 8,711 |
| Connection and servicing | 190,904 | - | 9,310 | 200,214 |
| Miscellaneous | 57,116 | - | - | 57,116 |
| Total operating revenues | 1,424,240 | 553,441 | 688,237 | 2,665,918 |
| Operating expenses | | | | |
| Salaries and wages | 230,538 | 48,674 | - | 279,212 |
| Employee benefits | 105,550 | 22,580 | - | 128,130 |
| Water purchases | 60,013 | - | - | 60,013 |
| Utility costs | 72,317 | 1,330 | - | 73,647 |
| Maintenance and supplies | 243,522 | 141,467 | - | 384,989 |
| Tipping fees and contractual services | - | - | 594,341 | 594,341 |
| Professional and technical services | 10,886 | 20,496 | 225 | 31,607 |
| Administration and overhead | 51,372 | 25,122 | 13,428 | 89,922 |
| Depreciation | 277,517 | 31,858 | 15,265 | 324,640 |
| Total operating expenses | 1,051,715 | 291,527 | 623,259 | 1,966,501 |
| Operating income | 372,525 | 261,914 | 64,978 | 699,417 |
| Nonoperating revenues (expenses) | | | | |
| Development and construction fees | 440,298 | - | - | 440,298 |
| Interest revenue | 34,556 | 46,826 | 10,793 | 92,175 |
| Interest expense | (115,655) | (56,917) | - | (172,572) |
| | 359,199 | (10,091) | 10,793 | 359,901 |
| Income before contributions and transfers | 731,724 | 251,823 | 75,771 | 1,059,318 |
| Capital contributions | - | 34,250 | - | 34,250 |
| Transfers (out) | (323,645) | (57,415) | (68,005) | (449,065) |
| Change in net assets | 408,079 | 228,658 | 7,766 | 644,503 |
| Total net assets, beginning of year | 7,670,869 | 1,151,185 | 245,979 | 9,068,033 |
| Total net assets, end of year | \$ 8,078,948 | \$ 1,379,843 | \$ 253,745 | \$ 9,712,536 |

The accompanying notes are an integral part of the financial statements.

Centerville City Corporation
Statement of Net Assets
Fiduciary Fund
June 30, 2006

| | <u>Trust Fund Total</u> |
|---------------------------|---------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,258 |
| Total assets | <u>1,258</u> |
| NET ASSETS | |
| Unrestricted | 1,258 |
| Total net assets | <u>\$ 1,258</u> |

The notes to the financial statements are an integral part of this statement.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of Centerville City Corporation (the City) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

The City of Centerville was incorporated in 1915. The City operates under a Mayor/ Council form of government. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component units discussed below are included as part of the City's reporting entity as blended component units.

The Centerville City Redevelopment Agency (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

The Centerville City Municipal Building Authority (MBA) was established to finance and construct municipal buildings that are then leased to the City. The MBA is governed by a five-member board of trustees composed of the City Council. Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The MBA is included in these financial statements as the Municipal Building Authority Special Revenue Fund. Separate financial statements are not issued for the MBA.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The RDA Special Revenue Fund accounts for redevelopment activities of the City.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water production, treatment and distribution operations.

The Drainage Utility Fund accounts for storm drain collection activities in the City.

Additionally, the City reports a fiduciary fund to account for the activities of a pioneer home museum.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Assets, Liabilities, and Net Assets or Equity (Continued)

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|----------------|
| Buildings and improvements | 10 to 50 years |
| Infrastructure | 20 to 50 years |
| Machinery and equipment | 5 to 7 years |
| Furniture and fixtures | 5 to 10 years |
| Reservoirs and wells | 10 to 50 years |

Compensated Absences For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Accumulated vacation and sick leave is paid to employees upon retirement, with a limitation of one third of accumulated hours in excess of 300 hours. Employees that are terminated for reasons other than retirement are not paid for accumulated sick leave. The liability for accumulated sick pay amounts is not accrued, as the amount is insignificant.

Long-Term Obligations In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Assets Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

Explanation of Certain Differences Between Governmental Fund Operating Statements and the Statement of Net Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

| | |
|----------------------------------|--------------------|
| Capital outlay and contributions | \$1,949,945 |
| Depreciation expense | <u>327,206</u> |
| Net difference as reported | <u>\$1,622,739</u> |

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

After the budget is adopted, the City Manager may transfer any unencumbered or unexpended appropriation amount from one expenditure account to another within a department. The City Council may, by resolution, transfer any unencumbered or unexpended appropriation amount from one department in a fund to another department within the same fund.

When the City Council determines that an emergency exists, such as widespread damage from fire, flood, or earthquake the City Council may increase the budget of the General Fund by resolution or a public hearing.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. In the General Fund, budgets are adopted at the functional level and budgetary control is exercised at the departmental level. For Special Revenue Funds, budgets are adopted and control is exercised at the level of total expenditures for each individual fund.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

4. **DETAILED NOTES FOR ALL FUNDS**

Cash and Investments

Deposits and investments for the City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of June 30, 2006, \$363,050 of the City's bank balance of \$463,050 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City is authorized to invest in the Utah Public Treasurer's Investment fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

As of June 30, 2006, the City had investments of \$6,506,436 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

4. **DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the government funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|--------------------|-----------------|
| Note receivable (RDA Fund) | \$1,584,706 | \$ --- |
| Property taxes receivable (General Fund) | 861,728 | --- |
| Property taxes receivable (RDA Fund) | 709,297 | --- |
| Special assessments not yet due (Debt Service Funds) | 2,341 | --- |
| Various prepayments received (General Fund) | --- | <u>27,717</u> |
| Total deferred/unearned revenue for governmental funds | <u>\$3,158,072</u> | <u>\$27,717</u> |

Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|--------------------------|------------------|------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets, not be depreciated | | | | |
| Land | \$4,489,276 | \$ 585,000 | \$ --- | \$5,074,276 |
| Construction in progress | <u>375,951</u> | <u>471,161</u> | <u>375,951</u> | <u>471,161</u> |
| Total capital assets not being depreciated | <u>4,865,227</u> | <u>1,056,161</u> | <u>375,951</u> | <u>5,545,437</u> |
| Capital assets being depreciated | | | | |
| Buildings | 3,992,275 | --- | --- | 3,992,275 |
| Improvements | 62,283 | --- | --- | 62,283 |
| Infrastructure | 1,364,816 | 945,669 | --- | 2,310,485 |
| Machinery and equipment | 789,332 | 100,195 | 30,540 | 858,987 |
| Autos and trucks | 1,631,220 | 234,260 | 164,087 | 1,701,393 |
| Furniture and fixtures | <u>66,419</u> | <u>---</u> | <u>---</u> | <u>66,419</u> |
| Total capital assets being depreciated | <u>7,906,345</u> | <u>1,280,124</u> | <u>194,627</u> | <u>8,991,842</u> |

Continued

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

In the government-wide financial statements depreciation was charged as follows by program or activity:

| | | |
|---|--|------------------|
| Governmental activities: | | |
| General government | | \$115,780 |
| Public safety | | 63,332 |
| Highways and public improvements | | 79,484 |
| Parks, recreation and public property | | 65,758 |
| Community development | | <u>2,852</u> |
| Total depreciation expense - governmental activities | | <u>\$327,206</u> |
| Business-type activities: | | |
| Water | | \$277,517 |
| Drainage Utility | | 31,858 |
| Sanitation | | <u>15,265</u> |
| Total depreciation expense - business type activities | | <u>\$324,640</u> |

Interfund Receivable, Payables and Transfers

At June 30, 2006, interfund balances due to or from other funds was as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|--------------------|
| General | Nonmajor governmental funds | \$ 27,111 |
| | Water | 632,702 |
| | Drainage Utility | 198,848 |
| Water | Drainage Utility | <u>316,949</u> |
| | | <u>\$1,175,610</u> |

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows: (in thousands)

| | Beginning <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | Ending <u>Balance</u> | Due in <u>One Year</u> |
|--|-----------------------------|------------------|-------------------|--------------------------|---------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| MBA lease revenue | \$1,310 | \$ --- | (\$ 155) | \$1,155 | \$160 |
| Special assessment | <u>8</u> | <u>---</u> | <u>(4)</u> | <u>4</u> | <u>4</u> |
| Total bonds payable | 1,318 | --- | (159) | 1,159 | 164 |
| Capital lease | 9 | --- | (5) | 4 | 4 |
| Compensated absences | <u>308</u> | <u>220</u> | <u>(207)</u> | <u>321</u> | <u>215</u> |
| Governmental activity long-term liabilities | <u>\$1,635</u> | <u>\$220</u> | <u>(\$ 371)</u> | <u>\$1,484</u> | <u>\$383</u> |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds | \$3,857 | \$ --- | (\$ 161) | \$3,696 | \$174 |
| Compensated absences | <u>31</u> | <u>22</u> | <u>(24)</u> | <u>29</u> | <u>19</u> |
| Total business-type long-term liabilities | <u>\$3,888</u> | <u>\$ 22</u> | <u>(\$ 185)</u> | <u>\$3,725</u> | <u>\$193</u> |

Compensated absences for governmental activities are generally liquidated by the general fund.

Other Information

Risk Management The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Utah Risk Management Mutual Association (URMMA). It is an insurance pool for liability insurance made up of municipalities in the State. Each city pays premiums into a cash reserve fund for possible losses. Payment of the annual premium indemnifies the City for claims that exceed the per occurrence deductible. The policy provides \$10,000,000 of liability coverage per occurrence after a deductible of \$15,000. In the event URMMA becomes insolvent, the City is fully responsible for all claims. The obligation of URMMA to pay damages on behalf of the City applies only to damages in excess of the member "deductibles" and group "self insured retention's" outlined in the Coverage Profile. The member "deductibles" and the group "self-insured retention's" include attorney's fees and all other costs incurred in defending a claim. URMMA purchases umbrella insurance to protect against large claims. URMMA reviews risk management programs and give recommendations and premium discounts to cities that adopt them. The City has adopted various recommendations and receives discounts.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

4. **DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), incremental tax revenues totaling \$726,982 were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies. There is \$1,584,706 outstanding debt of the RDA at June 30, 2006 due to the General Fund.

During the year ended June 30, 2006, funds expended by the RDA were limited to the categories of debt service, capital outlay and administration costs. Administrative costs totaled \$-0-, capital outlay expenditures totaled \$27,275 and debt service payments totaled \$96,776 for the year.

Employee Retirement Systems and Pension Plans The City contributes to the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and the Public Safety Retirement System for Employers with Social Security Coverage, (hereafter referred to cumulatively as the Systems) which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

4. **DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

Funding Policy Plan members in the Local Government Contributory Retirement System are required to contribute 6.0% percent of their annual covered salary (all or part may be paid by the employer for the employee), and the City is required to contribute 7.08% percent of its annual covered salary. In the Local Government Noncontributory Retirement System the City is required to contribute 11.09% percent of its annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage, the City is required to contribute 19.34% percent of its annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions in dollars to each of the Systems for the years ending June 30, 2006, 2005 and 2004, were equal to the required contributions for each year. The contribution amounts are as follows:

| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|--|-------------|-------------|-------------|
| Local Governmental Contributory Retirement System | \$ 15,489 | \$ 15,147 | \$ 12,802 |
| Local Governmental Noncontributory Retirement system | 121,432 | 109,209 | 93,338 |
| Public Safety Retirements System for Employers with Social Security Coverage | 145,912 | 130,645 | 112,306 |

Deferred Compensation Plan Under the URS, the City offers its employees a Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The payment of deferred compensation is not available to employees until termination, retirement, death, or emergency. The City's contributions to the 457 Deferred Compensation Plan were \$7,019, \$10,728 and \$9,280 for the years ended June 30, 2006, 2005 and 2004, respectively.

Defined Contribution Plans The 401(k) plan provided by URS is a multiple-employer defined contribution plan. All employees of the City who participate in the URS contributory, noncontributory, or public safety system are eligible to participate in the plan. Employees are immediately 100 percent vested in their contributions to the plan. Employee contributions to the 401 (k) plan and the Deferred Compensation Plan are voluntary. Employer contributions are also voluntary and are intended to standardize the contribution rates for all full time employees participating in the URS. The City's contributions to the 401 (k) plan were \$28,080, \$23,417 and \$24,938 for the years ended June 30, 2006, 2005 and 2004, respectively.

CENTERVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2006

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

The City also provides through a third party administrator, a supplemental defined contribution plan for all full-time employees. The name of the Plan is Centerville City Corporation Money Purchase Pension Plan and Trust. The Plan was established in 1993 for the employees of Centerville City under Section 401(c) of the Internal Revenue Code. The investments of the Plan are administered by Principal Financial Group. The Plan may be amended by Centerville City. The Plan provides for an Advisory Committee, comprised of at least three eligible employees, appointed by the City Council.

The City contributes 3.5% of all wages earned, including overtime, for all eligible employees. Eligible employees must be at least 18 years of age, and complete one year of continuous service. The employee is eligible for enrollment on the next plan entry date (July 1st, October 1st, January 1st and April 1st). The plan year is from July 1, to June 30. The employee is 100% vested after five years of continuous service with the City. Prior to that date the employee has no vested rights in the employer's contributions. If an employee terminates employment prior to vesting, their employer contributions are distributed to all other enrolled employees based on a percentage of total employer investments. Eligible employees may make contributions to the Plan, in an amount not to exceed 10% of annual compensation. However, the employee is not required to make any contributions to be eligible. Employee contributions are accounted for separately from employer contributions.

The eligible payroll for employees covered by the plan for the year ended June 30, 2006 was \$2,100,943. The City's total payroll was \$2,595,504.

The City's required and actual contribution to this plan was \$73,533 for the fiscal year ended June 30, 2006, which represents 3.5% of covered payroll.

| | Special Revenue | | | Debt Service | | | Capital Projects | | | Total Nonmajor Governmental Funds |
|--|------------------------------------|-----------------|-----------------|-------------------------|------------------|-----------------------|-------------------|-------------------|----------------------|--|
| | Municipal Building Authority | Recreation | SID 400 West | City Hall Revenue | SID Guarantee | SID Porter Lane | Storm Drain | Project Impact | Park Improvements | |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 221 | \$ 3,603 | \$ 4,966 | \$ - | \$ 3,640 | \$ 4,370 | \$ 353,276 | \$ - | \$ 42,743 | \$ 412,819 |
| Restricted assets | - | - | - | 222,935 | - | - | - | - | - | 222,935 |
| Cash and cash equivalents | - | - | 290 | - | - | 6,296 | - | - | - | 6,586 |
| Special assessments receivables | - | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 221 | \$ 3,603 | \$ 5,256 | \$ 222,935 | \$ 3,640 | \$ 10,666 | \$ 353,276 | \$ - | \$ 42,743 | \$ 642,340 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Payable from restricted assets: | | | | | | | | | | |
| Deferred revenue | - | - | - | - | - | 2,341 | - | - | - | 2,341 |
| Accounts payable | - | - | - | - | - | - | - | - | 38,550 | 38,550 |
| Accrued liabilities | - | 12,512 | - | - | - | - | - | - | - | 12,512 |
| Due to other funds | - | - | - | 27,111 | - | - | - | - | - | 27,111 |
| Total liabilities | - | 12,512 | - | 27,111 | - | 2,341 | - | - | 38,550 | 80,514 |
| FUND BALANCES: | | | | | | | | | | |
| Fund balances: | | | | | | | | | | |
| Reserved: | | | | | | | | | | |
| Reserved for debt service | - | - | 5,256 | 195,824 | 3,640 | 8,325 | - | - | - | 213,045 |
| Unreserved: | | | | | | | | | | |
| Undesignated | 221 | (8,909) | - | - | - | - | 353,276 | - | 4,193 | 348,781 |
| Total fund balances | 221 | (8,909) | 5,256 | 195,824 | 3,640 | 8,325 | 353,276 | - | 4,193 | 561,826 |
| Total liabilities and fund balances | \$ 221 | \$ 3,603 | \$ 5,256 | \$ 222,935 | \$ 3,640 | \$ 10,666 | \$ 353,276 | \$ - | \$ 42,743 | \$ 642,340 |

Centerville City Corporation
Year Ended June 30, 2006

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

| | Special Revenue | | Debt Service | | | | Capital Projects | | | Total Nonmajor Governmental Funds |
|--|------------------------------------|------------|-----------------|-------------------------|------------------|-----------------------|------------------|-------------------|----------------------|--|
| | Municipal Building Authority | Recreation | SID 400 West | City Hall Revenue | SID Guarantee | SID Porter Lane | Storm Drain | Project Impact | Park Improvements | |
| Revenues: | | | | | | | | | | |
| Special assessments | \$ - | \$ - | \$ 52 | \$ - | \$ - | \$ 3,077 | \$ - | \$ - | \$ - | \$ 3,129 |
| Charges for services | - | 129,926 | - | - | - | - | 17,211 | - | 65,000 | 212,137 |
| Interest | - | - | 7 | 14,269 | - | - | 21,005 | - | 13,136 | 48,417 |
| Miscellaneous | - | - | - | - | - | - | - | - | 86,387 | 86,387 |
| Total revenues | - | 129,926 | 59 | 14,269 | - | 3,077 | 38,216 | - | 164,523 | 350,070 |
| Expenditures: | | | | | | | | | | |
| Current operating: | | | | | | | | | | |
| General government | 779 | - | - | - | - | 3,077 | - | - | - | 3,856 |
| Parks and recreation | - | 148,889 | - | - | - | - | - | - | - | 148,889 |
| Capital outlay | - | - | - | - | - | - | 375 | - | 691,336 | 691,711 |
| Debt service: | | | | | | | | | | |
| Principal retirement | - | - | 4,000 | 155,000 | - | - | - | - | - | 159,000 |
| Interest and fiscal charges | - | - | 400 | 59,110 | - | - | - | - | - | 59,510 |
| Total expenditures | 779 | 148,889 | 4,400 | 214,110 | - | 3,077 | 375 | - | 691,336 | 1,062,966 |
| Excess (deficiency) of revenues over expenditures | (779) | (18,963) | (4,341) | (199,841) | - | - | 37,841 | - | (526,813) | (712,896) |
| Other financing sources: | | | | | | | | | | |
| Transfers in | 1,000 | 10,000 | - | 199,841 | - | - | - | - | 65,000 | 275,841 |
| Transfers (out) | - | - | - | - | - | - | - | (32,823) | - | (32,823) |
| Total other financing sources | 1,000 | 10,000 | - | 199,841 | - | - | - | (32,823) | 65,000 | 243,018 |
| Net change in fund balance | 221 | (8,963) | (4,341) | - | - | - | 37,841 | (32,823) | (461,813) | (469,878) |
| Fund balance - beginning of year | - | 54 | 9,597 | 195,824 | 3,640 | 8,325 | 315,435 | 32,823 | 466,006 | 1,031,704 |
| Fund balance - end of year | 221 | (8,909) | 5,256 | 195,824 | 3,640 | 8,325 | 353,276 | \$ - | \$ 4,193 | \$ 561,826 |

Centerville City Corporation
Year Ended June 30, 2006

Municipal Building Authority
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------------------|------------------|---------|--------|---|
| | Original | Final | | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| General government | 1,000 | 1,000 | 779 | 221 |
| Total expenditures | 1,000 | 1,000 | 779 | 221 |
| Excess of revenues over expenditures | (1,000) | (1,000) | (779) | 221 |
| Other financing sources: | | | | |
| Transfers in | 1,000 | 1,000 | 1,000 | - |
| Net change in fund balance | - | - | 221 | 221 |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance at end of year | \$ - | \$ - | \$ 221 | \$ 221 |

Centerville City Corporation
Year Ended June 30, 2006

Recreation Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | | Variance With Final Budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Recreation fees | \$ 108,000 | \$ 108,000 | \$ 116,614 | \$ 8,614 |
| Field use agreement | 1,700 | 1,700 | 655 | (1,045) |
| Concession sales | 18,000 | 18,000 | 12,657 | (5,343) |
| Total revenues | 127,700 | 127,700 | 129,926 | 2,226 |
| Expenditures | | | | |
| Salaries and wages | 47,500 | 47,500 | 51,557 | (4,057) |
| Employee benefits | 4,584 | 4,584 | 4,902 | (318) |
| Materials, supplies and other | 38,250 | 38,250 | 26,050 | 12,200 |
| Jr. Jazz basketball | 17,000 | 17,000 | 14,267 | 2,733 |
| Adult recreation | - | - | - | - |
| Youth baseball/softball | 20,000 | 20,000 | 46,692 | (26,692) |
| Concessions - community park | 9,600 | 9,600 | 5,421 | 4,179 |
| Total expenditures | 136,934 | 136,934 | 148,889 | (11,955) |
| Excess (deficiency) of revenues over (under) expenditures | (9,234) | (9,234) | (18,963) | (9,729) |
| Other financing sources | | | | |
| Transfers in | 10,000 | 10,000 | 10,000 | - |
| Net change in fund balance | 766 | 766 | (8,963) | (9,729) |
| Fund balance at beginning of year | 54 | 54 | 54 | - |
| Fund balance (deficit) at end of year | \$ 820 | \$ 820 | \$ (8,909) | \$ (9,729) |

Centerville City Corporation
Year Ended June 30, 2006

Special Improvement District 400 W. Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Special assessment | \$ 4,500 | \$ 4,500 | \$ 52 | \$ (4,448) |
| Interest | 100 | 100 | 7 | (93) |
| Total revenues | 4,600 | 4,600 | 59 | (4,541) |
| Expenditures | | | | |
| Principal retirement | 4,000 | 4,000 | 4,000 | - |
| Interest and fiscal charges | 600 | 600 | 400 | (200) |
| Total expenditures | 4,600 | 4,600 | 4,400 | (200) |
| Net change in fund balance | - | - | (4,341) | (4,341) |
| Fund balance at beginning of year | 9,597 | 9,597 | 9,597 | - |
| Fund balance at end of year | <u>\$ 9,597</u> | <u>\$ 9,597</u> | <u>\$ 5,256</u> | <u>\$ (4,341)</u> |

Centerville City Corporation
Year Ended June 30, 2006

City Hall Revenue Bond Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Interest | \$ 4,000 | \$ 4,000 | \$ 14,269 | \$ 10,269 |
| Total revenues | 4,000 | 4,000 | 14,269 | 10,269 |
| Expenditures | | | | |
| Principal retirement | 155,000 | 155,000 | 155,000 | - |
| Interest and fiscal charges | 60,110 | 60,110 | 59,110 | 1,000 |
| Total expenditures | 215,110 | 215,110 | 214,110 | 1,000 |
| Excess (deficiency) of revenues over (under) expenditur | (211,110) | (211,110) | (199,841) | 11,269 |
| Other financing sources | | | | |
| Transfers in | 211,110 | 211,110 | 199,841 | (11,269) |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | 195,824 | 195,824 | 195,824 | - |
| Fund balance at end of year | \$ 195,824 | \$ 195,824 | \$ 195,824 | \$ - |

Centerville City Corporation
Year Ended June 30, 2006

Special Improvement Guarantee Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | | Variance With Final Budget Positive (Negative) |
|--------------------------------------|------------------|-----------------|-----------------|---|
| | Original | Final | Actual | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures | - | - | - | - |
| Excess of revenues over expenditures | - | - | - | - |
| Other financing sources (uses) | | | | |
| Transfer out | - | - | - | - |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | 3,640 | 3,640 | 3,640 | - |
| Fund balance at end of year | <u>\$ 3,640</u> | <u>\$ 3,640</u> | <u>\$ 3,640</u> | <u>\$ -</u> |

Centerville City Corporation
Year Ended June 30, 2006

Special Improvement District Porter Lane Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-----------------------------------|------------------|----------|----------|---|
| | Original | Final | | |
| Revenues | | | | |
| Special assessment | \$ 3,077 | \$ 3,077 | \$ 3,077 | \$ - |
| Expenditures | | | | |
| Principal retirement | 2,083 | 2,083 | 2,296 | (213) |
| Interest and fiscal charges | 994 | 994 | 781 | 213 |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | 8,325 | 8,325 | 8,325 | - |
| Fund balance at end of year | \$ 8,325 | \$ 8,325 | \$ 8,325 | \$ - |

Centerville City Corporation
Year Ended June 30, 2006

Capital Projects Storm Drain Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------|------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Developer fees | \$ 75,000 | \$ 75,000 | \$ 17,211 | \$ (57,789) |
| Contributions and grants | - | - | 21,005 | 21,005 |
| Interest on investments | 3,000 | 3,000 | - | (3,000) |
| Total revenues | 78,000 | 78,000 | 38,216 | (39,784) |
| Expenditures | | | | |
| Engineering | 381,478 | 381,478 | 375 | 381,103 |
| Total expenditures | 381,478 | 381,478 | 375 | 381,103 |
| Net change in fund balance | (303,478) | (303,478) | 37,841 | 341,319 |
| Fund balance at beginning of year | 315,435 | 315,435 | 315,435 | - |
| Fund balance at end of year | \$ 11,957 | \$ 11,957 | \$ 353,276 | \$ 341,319 |

Centerville City Corporation
Year Ended June 30, 2006

Capital Projects Project Impact Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------------------|------------------|-----------|----------|---|
| | Original | Final | | |
| Revenues | | | | |
| Grants | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| Capital outlay | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess of revenues over expenditures | - | - | - | - |
| Other financing uses | | | | |
| Transfer (out) | - | - | (32,823) | (32,823) |
| Net change in fund balance | - | - | (32,823) | - |
| Fund balance at beginning of year | 32,823 | 32,823 | 32,823 | - |
| Fund balance at end of year | \$ 32,823 | \$ 32,823 | \$ - | \$ (32,823) |

Centerville City Corporation
Year Ended June 30, 2006

Capital Projects Park Improvement Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---|------------------|-------------|-----------|---|
| | Original | Final | | |
| Revenues | | | | |
| Developer fees | \$ 120,000 | \$ 120,000 | \$ 65,000 | \$ (55,000) |
| Private contribution | 1,750 | 1,750 | - | (1,750) |
| Miscellaneous | 191,000 | 191,000 | 86,387 | (104,613) |
| Interest | 4,000 | 4,000 | 13,136 | 9,136 |
| Total revenues | 316,750 | 316,750 | 164,523 | (152,227) |
| Expenditures | | | | |
| Capital outlay | 904,558 | 904,558 | 691,336 | 213,222 |
| Total expenditures | 904,558 | 904,558 | 691,336 | 213,222 |
| Excess (deficiency) of revenues over (under) expenditures | (587,808) | (587,808) | (526,813) | 60,995 |
| Other financing sources | | | | |
| Transfer in | 65,000 | 65,000 | 65,000 | - |
| Net change in fund balance | (522,808) | (522,808) | (461,813) | 60,995 |
| Fund balance at beginning of year | 466,006 | 466,006 | 466,006 | - |
| Fund balance at end of year | \$ (56,802) | \$ (56,802) | \$ 4,193 | \$ 60,995 |

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Statistical Section

This is part of the City of Centerville's Comprehensive Annual Financial Report and presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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| Financial Trends | |
| These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time. | 69 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the City's most significant local revenue sources. | 74 |
| Debt Capacity | |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 82 |
| Demographic and Economic Information | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 86 |
| Operating Information | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 88 |

Sources: Unless otherwise noted the information in these schedules is derived from the Comprehensive Annual Financial Reports or Annual Financial Report for the relevant year. The City implemented GASB statement 34 in year ending June 30, 2004. Schedules presenting government-wide information includes information beginning in that year.

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Centerville City Corporation

Net Assets by Component Last Three Fiscal Years

| | Fiscal Year | | |
|---|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 |
| <u>Governmental Activities</u> | | | |
| Invested in capital assets, net of related debt | \$5,117,989 | \$8,650,016 | \$10,436,204 |
| Restricted | \$58,474 | \$0 | \$0 |
| Unrestricted | \$5,548,235 | \$6,004,708 | \$7,075,334 |
| Total governmental activities net assets | <u>\$10,724,698</u> | <u>\$14,654,724</u> | <u>\$17,511,538</u> |
| <u>Business-type Activities</u> | | | |
| Invested in capital assets, net of related debt | \$6,995,904 | \$7,437,421 | \$8,198,814 |
| Restricted | \$1,501,324 | \$1,535,871 | \$1,603,883 |
| Unrestricted | (\$156,336) | \$94,741 | (\$90,161) |
| Total business-type activities net assets | <u>\$8,340,892</u> | <u>\$9,068,033</u> | <u>\$9,712,536</u> |
| <u>Primary Government</u> | | | |
| Invested in capital assets, net of related debt | \$12,113,893 | \$16,087,437 | \$18,635,018 |
| Restricted | \$1,559,798 | \$1,535,871 | \$1,603,883 |
| Unrestricted | \$5,391,899 | \$6,099,449 | \$6,985,173 |
| Total primary government net assets | <u>\$19,065,590</u> | <u>\$23,722,757</u> | <u>\$27,224,074</u> |

Note: Information not available for years prior to 2004 when the City implemented the reporting model under GASB statement 34

Centerville City Corporation

Change in Net Assets Last Three Fiscal Years

| | Fiscal Year | | |
|---|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 |
| Expenses | | | |
| <u>Governmental Activities</u> | | | |
| General government | \$1,225,184 | \$1,210,438 | \$1,344,814 |
| Public Safety | \$2,104,381 | \$2,223,122 | \$2,368,844 |
| Streets and public works | \$1,327,423 | \$1,307,744 | \$1,146,997 |
| Parks & recreation | \$991,715 | \$861,866 | \$1,009,363 |
| Community development | \$292,154 | \$322,135 | \$396,376 |
| Interest on long-term debt | \$358,568 | \$161,735 | \$153,444 |
| Total governmental activities expenses | <u>\$6,299,425</u> | <u>\$6,087,040</u> | <u>\$6,419,838</u> |
| <u>Business-type activities</u> | | | |
| Water | \$2,836,098 | \$1,179,885 | \$1,167,370 |
| Sanitation | \$657,062 | \$622,042 | \$623,259 |
| Storm drain | \$320,222 | \$452,361 | \$348,444 |
| Total business-type activities expenses | <u>\$3,813,382</u> | <u>\$2,254,288</u> | <u>\$2,139,073</u> |
| Total primary government expenses | <u>\$10,112,807</u> | <u>\$8,341,328</u> | <u>\$8,558,911</u> |
| Program Revenues | | | |
| <u>Governmental activities</u> | | | |
| Charges for services | \$1,192,084 | \$1,417,565 | \$1,456,062 |
| Operating grants and contributions | \$23,566 | \$42,682 | \$115,683 |
| Capital grants and contributions | \$71,155 | \$2,458,208 | \$875,000 |
| Total governmental activities program revenues | <u>\$1,286,805</u> | <u>\$3,918,455</u> | <u>\$2,446,745</u> |
| <u>Business-type activities</u> | | | |
| Charges for services | \$2,953,829 | \$2,958,907 | \$3,106,216 |
| Operating grants and contributions | \$0 | \$0 | \$0 |
| Capital grants and contributions | \$0 | \$410,000 | \$34,250 |
| Total business-type activities program revenues | <u>\$2,953,829</u> | <u>\$3,368,907</u> | <u>\$3,140,466</u> |
| Total primary government program revenues | <u>\$4,240,634</u> | <u>\$7,287,362</u> | <u>\$5,587,211</u> |
| Net (expense) revenue | | | |
| Government activities | (\$5,012,620) | (\$2,168,585) | (\$3,973,093) |
| Business-type activities | (\$859,553) | \$1,114,619 | \$1,001,393 |
| Total primary government net expenses | <u>(\$5,872,173)</u> | <u>(\$1,053,966)</u> | <u>(\$2,971,700)</u> |

General Revenues and Other Changes in Net Assets**Governmental activities**

| | | | |
|--|-------------|-------------|-------------|
| Property tax and uniform vehicle fees | \$1,504,549 | \$1,667,607 | \$1,878,705 |
| Franchise, telecommunication, & energy sales taxes | \$700,001 | \$809,720 | \$901,116 |
| General & Highway Sales Tax | \$2,810,739 | \$2,888,887 | \$3,229,740 |
| Other | \$771,953 | \$290,599 | \$371,281 |
| Transfers | \$433,696 | \$441,798 | \$449,065 |
| Total governmental activities | \$6,220,938 | \$6,098,611 | \$6,829,907 |

Business-type activities

| | | | |
|--------------------------------|-------------|-------------|-------------|
| Other | \$20,039 | \$54,320 | \$92,175 |
| Transfers | (\$433,696) | (\$441,798) | (\$449,065) |
| Total business-type activities | (\$413,657) | (\$387,478) | (\$356,890) |
| Total primary government | \$5,807,281 | \$5,711,133 | \$6,473,017 |

Change in Net Assets

| | | | |
|--------------------------|---------------|-------------|-------------|
| Governmental activities | \$1,208,318 | \$3,930,026 | \$2,856,814 |
| Business-type activities | (\$1,273,210) | \$727,141 | \$644,503 |
| Total primary government | (\$64,892) | \$4,657,167 | \$3,501,317 |

Note: Information not available for years prior to 2004 when the City implemented the reporting model under GASB statement 34

Centerville City Corporation

Fund Balances of Governmental Funds Last Ten Fiscal Years

| General Fund | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|
| Reserved | \$2,807,381 | \$2,619,902 | \$3,176,108 | \$2,591,035 | \$2,375,193 | \$2,356,155 | \$2,357,217 | \$1,698,031 | \$1,612,930 | \$2,152,006 |
| Unreserved | \$334,512 | \$635,781 | \$418,018 | \$1,822,110 | \$1,266,730 | \$883,941 | \$696,483 | \$1,779,866 | \$1,097,318 | \$1,566,642 |
| Total general fund | \$3,141,893 | \$3,255,683 | \$3,594,126 | \$4,413,145 | \$3,641,923 | \$3,240,096 | \$3,053,700 | \$3,477,897 | \$2,710,248 | \$3,718,648 |
| All other Governmental Funds | | | | | | | | | | |
| Reserved | \$3,026,688 | \$3,008,525 | \$3,002,971 | \$2,184,366 | \$2,140,089 | \$2,159,498 | \$2,134,982 | \$1,478,402 | \$1,478,404 | \$1,474,063 |
| Unreserved reported in: | | | | | | | | | | |
| Special revenue funds | | | | | | | | | | |
| Capital project funds | \$115,481 | \$254,449 | \$128,724 | \$172,203 | \$206,711 | \$16,657 | \$0 | (\$4,857) | \$54 | (\$8,688) |
| Redevelopment Agency | (\$2,804,728) | (\$2,500,612) | (\$2,799,806) | (\$2,239,761) | (\$2,078,320) | (\$1,945,481) | (\$1,650,268) | (\$611,294) | (\$173,146) | \$357,469 |
| Total all other governmental funds | \$337,441 | \$762,362 | \$331,889 | \$116,808 | \$268,480 | \$230,674 | \$475,127 | \$1,071,052 | \$2,119,576 | \$2,090,685 |

Centerville City Corporation

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-------------|---------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | | | | | | | | | | |
| Taxes | \$2,897,913 | \$3,337,953 | \$3,580,295 | \$3,936,604 | \$4,119,822 | \$4,530,936 | \$4,257,871 | \$4,487,803 | \$4,837,131 | \$5,448,434 |
| Special Assessments | | | \$20,885 | \$19,862 | \$6,105 | \$14,332 | \$18,304 | \$13,536 | \$7,630 | \$3,129 |
| Licenses & Permits | \$172,532 | \$211,347 | \$224,315 | \$210,873 | \$269,128 | \$191,271 | \$172,173 | \$216,432 | \$350,931 | \$446,572 |
| Intergovernmental | \$583,783 | \$480,227 | \$614,638 | \$1,320,225 | \$894,016 | \$534,716 | \$486,650 | \$607,233 | \$426,605 | \$569,187 |
| Charges for Services | \$225,448 | \$237,952 | \$338,300 | \$358,741 | \$308,994 | \$266,308 | \$273,092 | \$473,622 | \$547,574 | \$472,336 |
| Fines & Forfeitures | \$308,562 | \$283,615 | \$299,072 | \$382,464 | \$436,780 | \$407,708 | \$401,756 | \$489,947 | \$511,430 | \$534,025 |
| Interest | \$46,208 | \$41,571 | \$151,489 | \$601,071 | \$250,110 | \$140,028 | \$120,403 | \$314,814 | \$172,109 | \$241,381 |
| Miscellaneous | \$73,557 | \$96,128 | \$85,074 | \$76,334 | \$92,314 | \$98,607 | \$74,476 | \$196,797 | \$121,490 | \$132,900 |
| Total Revenues | \$4,308,003 | \$4,688,793 | \$5,314,068 | \$6,906,174 | \$6,377,269 | \$6,183,906 | \$5,804,725 | \$6,800,184 | \$6,974,900 | \$7,847,984 |
| Expenditures | | | | | | | | | | |
| General Government | \$1,108,874 | \$1,098,860 | \$1,182,214 | \$1,214,922 | \$1,260,075 | \$1,425,879 | \$1,520,009 | \$1,543,349 | \$1,705,878 | \$1,223,842 |
| Public Safety | \$1,032,456 | \$1,093,963 | \$1,271,196 | \$1,225,811 | \$1,459,488 | \$1,474,112 | \$1,420,511 | \$1,557,368 | \$1,634,497 | \$2,460,052 |
| Street & Public Works | \$1,341,796 | \$959,932 | \$1,270,295 | \$1,248,245 | \$1,688,002 | \$1,900,339 | \$1,346,377 | \$1,455,501 | \$1,766,837 | \$1,270,520 |
| Community Development | \$162,410 | \$190,466 | \$449,124 | \$600,460 | \$493,810 | \$596,888 | \$341,877 | \$292,154 | \$342,089 | \$393,524 |
| Parks & Recreation | \$498,622 | \$531,843 | \$549,426 | \$700,625 | \$703,646 | \$843,174 | \$918,705 | \$870,751 | \$852,385 | \$959,585 |
| Capital Outlay | \$145,976 | \$171,623 | \$484,611 | \$891,479 | \$1,558,053 | \$210,335 | \$79,031 | \$118,670 | \$452,487 | \$691,711 |
| Debt Service | | | | | | | | | | |
| Principal retirement | \$190,000 | \$2,632,300 | \$250,000 | \$291,000 | \$360,750 | \$375,750 | \$309,304 | \$274,000 | \$214,000 | \$159,000 |
| Interest & fiscal charges | \$244,236 | \$326,188 | \$257,908 | \$642,423 | \$239,844 | \$215,373 | \$194,707 | \$362,307 | \$164,650 | \$156,286 |
| Total Expenditures | \$4,724,370 | \$7,005,175 | \$5,714,774 | \$6,814,965 | \$7,743,668 | \$7,041,850 | \$6,130,521 | \$6,474,100 | \$7,132,823 | \$7,314,520 |
| Excess (deficiency) of Revenues Over Expenditures | (\$416,367) | (\$2,316,382) | (\$400,706) | \$91,209 | (\$1,366,399) | (\$857,944) | (\$325,796) | \$326,084 | (\$157,923) | \$533,444 |
| Other Financing Sources (uses) | | | | | | | | | | |
| Transfers in | \$677,823 | \$820,660 | \$659,553 | \$703,452 | \$2,130,691 | \$843,174 | \$746,031 | \$790,777 | \$1,432,906 | \$804,713 |
| Transfers out | (\$350,211) | (\$486,067) | (\$317,999) | (\$391,449) | (\$1,789,732) | (\$501,869) | (\$362,178) | (\$360,081) | (\$994,108) | (\$358,648) |
| Sale of fixed assets | \$11,516 | \$5,500 | \$5,778 | \$1,037,320 | \$405,890 | \$77,006 | - | \$263,342 | - | - |
| Bond Proceeds | \$87,914 | \$2,515,000 | - | - | - | - | - | - | - | - |
| Total Other Sources | \$427,042 | \$2,855,093 | \$347,332 | \$1,349,323 | \$746,849 | \$418,311 | \$383,853 | \$694,038 | \$438,798 | \$446,065 |
| Net Change in Fund Balance | \$10,675 | \$538,711 | (\$53,374) | \$1,440,532 | (\$619,550) | (\$439,633) | \$58,057 | \$1,020,122 | \$280,875 | \$979,509 |
| Fund Balance Beginning of Year | \$2,593,409 | \$2,604,084 | \$3,142,795 | \$3,089,421 | \$4,529,953 | \$3,910,403 | \$3,470,770 | \$3,528,827 | \$4,548,949 | \$4,829,824 |
| Fund Balance End of Year | \$2,604,084 | \$3,142,795 | \$3,089,421 | \$4,529,953 | \$3,910,403 | \$3,470,770 | \$3,528,827 | \$4,548,949 | \$4,829,824 | \$5,809,333 |

Centerville City Corporation

Governmental Activities Taxes and Special Assessment Revenues by Source Last Ten Fiscal Years

| Fiscal Year | Property & Uniform Vehicle Taxes | Sales & Highway Taxes | Franchise, Telecommunication & Energy Taxes | Special Assessments | Total Tax Revenue |
|------------------------|---|--------------------------------------|--|--------------------------------|------------------------------|
| 1997 | \$812,199 | \$1,959,531 | \$372,786 | \$11,741 | \$3,156,257 |
| 1998 | \$1,112,747 | \$2,279,330 | \$394,389 | \$9,293 | \$3,795,759 |
| 1999 | \$1,184,786 | \$2,402,216 | \$450,218 | \$20,855 | \$4,058,075 |
| 2000 | \$1,293,402 | \$2,695,202 | \$444,043 | \$19,862 | \$4,452,509 |
| 2001 | \$1,332,059 | \$2,666,491 | \$581,739 | \$6,105 | \$4,586,394 |
| 2002 | \$1,559,947 | \$2,763,741 | \$650,569 | \$14,331 | \$4,988,588 |
| 2003 | \$1,453,230 | \$2,639,649 | \$641,332 | \$18,304 | \$4,752,515 |
| 2004 | \$1,495,609 | \$2,810,739 | \$700,001 | \$8,850 | \$5,015,199 |
| 2005 | \$1,664,306 | \$2,888,887 | \$809,720 | \$3,301 | \$5,366,214 |
| 2006 | \$1,875,576 | \$3,229,740 | \$901,116 | \$3,129 | \$6,009,561 |

CENTERVILLE CITY CORPORATION

TAXABLE SALES BY CATEGORY LAST TEN CALENDAR YEARS

| | Calendar Year (amounts expressed in thousands) | | | | | | | | | |
|--------------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Building and Garden | \$14,667 | \$15,927 | \$20,276 | \$39,564 | \$40,385 | \$41,944 | \$44,281 | \$49,280 | \$58,795 | \$66,313 |
| Food Stores | 39,557 | 37,183 | 36,900 | 41,266 | 38,660 | 39,699 | 39,695 | 27,690 | 35,696 | 35,433 |
| Construction | 756 | 72 | 23 | 54 | 207 | 68 | 8 | 15 | 10 | 778 |
| Manufacturing | 9,996 | 14,644 | 18,299 | 12,140 | 8,014 | 6,399 | 4,137 | 5,115 | 11,557 | 14,614 |
| Wholesale Durable Goods | 16,563 | 19,877 | 14,747 | 15,558 | 16,589 | 16,843 | 13,554 | 15,620 | 13,473 | 14,199 |
| Wholesale-NonDurable Goods | 1,593 | 2,480 | 2,185 | 1,450 | 1,472 | 1,639 | 1,113 | 1,086 | 2,073 | 1,892 |
| Motor Vehicles | 6,605 | 6,693 | 10,155 | 18,982 | 24,053 | 19,783 | 23,575 | 24,871 | 28,775 | 31,073 |
| Furniture | 2,554 | 2,108 | 2,088 | 2,159 | 2,050 | 2,466 | 1,987 | 2,057 | 3,147 | 5,823 |
| Eating & Drinking | 5,520 | 6,244 | 9,092 | 10,364 | 11,018 | 11,896 | 12,405 | 12,960 | 13,558 | 15,203 |
| Miscellaneous Sales | 2,078 | 2,176 | 2,305 | 2,142 | 2,167 | 2,547 | 3,679 | 4,535 | 7,670 | 7,534 |
| Personal Services | 596 | 723 | 776 | 955 | 855 | 652 | 674 | 398 | 447 | 580 |
| Business Services | 961 | 340 | 233 | 147 | 450 | 690 | 698 | 955 | 1,502 | 2,823 |
| Auto & Repair | 3,831 | 3,333 | 2,802 | 3,395 | 3,613 | 3,366 | 3,538 | 3,893 | 3,716 | 3,815 |
| Health | 324 | 355 | 411 | 518 | 573 | 691 | 590 | 820 | 669 | 589 |
| Education, legal, social | 125 | 79 | 45 | 48 | 43 | 158 | 276 | 267 | 166 | 552 |
| Communications | 0 | 0 | 0 | 0 | 0 | 0 | 275 | 4,756 | 4,339 | 3,499 |
| Private motor vehicle sales | 3,310 | 3,647 | 4,561 | 3,741 | 3,995 | 4,974 | 4,569 | 4,297 | 3,747 | 3,818 |
| Nondisclosable/Nonclassifiable | 20,405 | 28,711 | 29,257 | 17,475 | 25,799 | 36,964 | 38,763 | 43,651 | 50,070 | 51,350 |
| All other outlets | 105 | 24 | 273 | 15,844 | 9,687 | 459 | 617 | 524 | 661 | 639 |
| | \$129,546 | \$144,616 | \$154,428 | \$185,802 | \$189,630 | \$191,238 | \$194,434 | \$202,790 | \$240,071 | \$260,527 |

Source: Utah State Tax Commission

Centerville City Corporation

Direct and Overlapping Sales Tax Rates Last Ten Fiscal Years

| Year | City | County | State | Mass Transit | Total |
|-------------|-------------|---------------|--------------|---------------------|--------------|
| 1997 | 1.00% | 0.25% | 4.75% | 0.25% | 6.25% |
| 1998 | 1.00% | 0.25% | 4.75% | 0.25% | 6.25% |
| 1999 | 1.00% | 0.25% | 4.75% | 0.25% | 6.25% |
| 2000 | 1.00% | 0.25% | 4.75% | 0.25% | 6.25% |
| 2001 | 1.00% | 0.25% | 4.75% | 0.50% | 6.50% |
| 2002 | 1.00% | 0.25% | 4.75% | 0.50% | 6.50% |
| 2003 | 1.00% | 0.25% | 4.75% | 0.50% | 6.50% |
| 2004 | 1.00% | 0.25% | 4.75% | 0.50% | 6.50% |
| 2005 | 1.00% | 0.25% | 4.75% | 0.50% | 6.50% |
| 2006 | 1.00% | 0.25% | 4.75% | 0.50% | 6.50% |

Source: Utah State Tax Commission

Centerville City Corporation

Taxable and Estimated Actual Value of Taxable Property
Last Ten Calendar Years
(amounts expressed in thousands)

| Tax Year | Taxable Value | Estimated Actual | Ratio of Taxable to Estimated Actual value |
|---------------------|----------------------|-------------------------|---|
| 1996 | \$386,969 | \$640,677 | 60.40% |
| 1997 | \$445,847 | \$707,694 | 63.00% |
| 1998 | \$462,364 | \$730,190 | 63.30% |
| 1999 | \$487,699 | \$784,683 | 62.20% |
| 2000 | \$529,411 | \$846,599 | 62.50% |
| 2001 | \$539,023 | \$863,096 | 62.50% |
| 2002 | \$555,436 | \$880,247 | 63.10% |
| 2003 | \$596,312 | \$933,894 | 63.90% |
| 2004 | \$610,355 | \$961,189 | 63.50% |
| 2005 | \$675,189 | \$1,048,430 | 64.40% |

Source: Davis County Clerk/Auditors Office

Centerville City Corporation

Property Tax Rates - Direct and Overlapping Governments Last ten Fiscal Years

| Tax Year | Centerville City | Davis County | Davis School District | Special Taxing Districts | Total Levy |
|---------------------|-----------------------------|-------------------------|--------------------------------------|---|-----------------------|
| 1996 | 0.1819% | 0.3169% | 0.7408% | 0.0704% | 1.3100% |
| 1997 | 0.1704% | 0.2946% | 0.7604% | 0.0677% | 1.2931% |
| 1998 | 0.1567% | 0.2125% | 0.7393% | 0.0692% | 1.1777% |
| 1999 | 0.1579% | 0.2054% | 0.7370% | 0.0674% | 1.1677% |
| 2000 | 0.1477% | 0.2145% | 0.7517% | 0.0655% | 1.1794% |
| 2001 | 0.1464% | 0.2095% | 0.7600% | 0.0612% | 1.1771% |
| 2002 | 0.1466% | 0.2081% | 0.7610% | 0.0615% | 1.1772% |
| 2003 | 0.1470% | 0.2388% | 0.7731% | 0.0654% | 1.2243% |
| 2004 | 0.1459% | 0.2380% | 0.7821% | 0.0651% | 1.2311% |
| 2005 | 0.1436% | 0.2347% | 0.7684% | 0.1603% | 1.3070% |

Source: Utah State Tax Commission

Centerville City Corporation

Property Tax Levies and Collections Last Ten Calendar Years (amounts expressed in thousands)

| Calendar Year | Total Tax Levy | Current Tax Collections | Percent of Levy Collection | Delinquent Tax Collections | Total Tax Collections | Percent of Total |
|--------------------------|---------------------------|------------------------------------|---------------------------------------|---------------------------------------|----------------------------------|-----------------------------|
| 1996 | \$659,395 | \$639,400 | 96.97% | \$15,273 | \$654,673 | 99.28% |
| 1997 | \$659,454 | \$633,263 | 96.03% | \$20,613 | \$653,876 | 99.15% |
| 1998 | \$682,804 | \$654,462 | 95.85% | \$27,245 | \$681,707 | 99.84% |
| 1999 | \$711,405 | \$677,582 | 95.25% | \$26,394 | \$703,976 | 98.96% |
| 2000 | \$723,724 | \$694,148 | 95.91% | \$28,824 | \$722,972 | 99.90% |
| 2001 | \$789,470 | \$741,215 | 95.89% | \$24,132 | \$765,347 | 96.94% |
| 2002 | \$814,214 | \$766,445 | 94.13% | \$33,422 | \$799,867 | 98.24% |
| 2003 | \$814,784 | \$779,167 | 95.60% | \$35,459 | \$814,626 | 99.98% |
| 2004 | \$820,731 | \$779,287 | 94.95% | \$25,969 | \$804,916 | 98.07% |
| 2005 | \$824,202 | \$780,025 | 94.64% | \$117,640 | \$897,665 | 108.91% |

Source: Davis County Clerk/Auditors Office

Centerville City Corporation

Principal Taxpayers Tax Year 2005

| Rank | Taxpayer | Type of Business | Taxable Value | Percentage of Total Taxable Value |
|------|------------------------------------|------------------------|---------------|--------------------------------------|
| 1 | Dayton Hudson Corporation (Target) | Retail | \$19,992,354 | 3.16% |
| 2 | HD Development of Maryland | Retail | \$8,150,637 | 1.29% |
| 3 | Pacificorp | Electrical Utility | \$7,184,192 | 1.13% |
| 4 | Dayton West LLC | Commercial Real Estate | \$6,800,000 | 1.07% |
| 5 | Albertson's | Retail | \$4,074,340 | 0.77% |
| 6 | Syro Steel | Manufacturing | \$4,000,815 | 0.63% |
| 7 | Dika Properties | Retail | \$3,978,915 | 0.63% |
| 8 | Hale Industries | Construction Materials | \$3,939,871 | 0.62% |
| 9 | Hogan & Associates | Commercial Property | \$3,847,515 | 0.61% |
| 10 | Qwest Corporation | Communications | \$2,647,726 | 0.42% |
| 11 | Tingey Real Estate | Commercial Property | \$2,507,080 | 0.40% |
| 12 | Questar Gas | Natural Gas Utility | \$2,482,201 | 0.39% |
| 13 | WalMart | Retail | \$2,450,250 | 0.39% |
| 14 | Management & Training Corporation | Commercial Office | \$2,160,579 | 0.34% |
| | Total | | \$74,216,475 | 11.85% |

Source: Davis County Clerk/Auditors Office

Centerville City Corporation

Property Value and Construction
Last Ten Calendar Years

| Calendar Year | Non-residential Construction | | Residential Construction | | Total New Construction | | Estimated Total Property Value | |
|---------------|------------------------------|--------------|--------------------------|--------------|------------------------|-----------------|--------------------------------|-------|
| | No of Units | Value | No of Units | Value | Value | Value | Value | Value |
| 1996 | 23 | \$7,321,760 | 71 | \$6,359,106 | \$13,680,866 | \$557,995,000 | | |
| 1997 | 24 | \$2,199,658 | 73 | \$8,012,680 | \$10,212,338 | \$640,677,000 | | |
| 1998 | 11 | \$5,365,427 | 107 | \$11,616,460 | \$16,981,887 | \$707,694,000 | | |
| 1999 | 21 | \$2,080,989 | 85 | \$10,675,645 | \$12,756,634 | \$730,190,000 | | |
| 2000 | 18 | \$10,862,132 | 63 | \$10,027,418 | \$20,889,550 | \$784,683,000 | | |
| 2001 | 19 | \$6,091,553 | 42 | \$7,022,065 | \$13,113,618 | \$846,599,000 | | |
| 2002 | 8 | \$1,036,148 | 38 | \$6,393,734 | \$7,429,882 | \$880,247,000 | | |
| 2003 | 28 | \$4,010,883 | 27 | \$5,483,239 | \$9,494,122 | \$933,894,000 | | |
| 2004 | 18 | \$1,767,530 | 72 | \$19,088,000 | \$20,855,530 | \$961,189,000 | | |
| 2005 | 28 | \$6,392,090 | 86 | \$17,573,000 | \$23,965,090 | \$1,048,430,000 | | |

Source: Centerville City Community Development Department

Centerville City Corporation

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | Business-type Activities | | | | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|-------------------------|---------------|---------------|---------------|--------------------------|---------------------|-------------|-------------|--------------------------|-------------------------------|------------|
| | MBA Lease Revenue Bonds | Notes Payable | Capital Lease | Special | | Water Revenue Bonds | | | | | |
| | | | | Revenue Bonds | Assessment Bonds | | | | | | |
| 1997 | \$2,772,000 | | | \$455,000 | \$37,000 | | \$269,000 | \$3,533,000 | 1.25% | \$252 | |
| 1998 | \$2,832,000 | | | \$405,000 | \$85,000 | | \$197,000 | \$3,519,000 | 1.15% | \$248 | |
| 1999 | \$2,612,000 | | | \$355,000 | \$75,000 | | \$122,000 | \$3,164,000 | 0.97% | \$219 | |
| 2000 | \$2,382,000 | \$97,500 | \$76,733 | \$305,000 | \$64,000 | | \$43,000 | \$2,968,233 | 0.87% | \$204 | |
| 2001 | \$2,137,000 | \$48,750 | \$40,347 | \$250,000 | \$52,000 | | | \$2,528,097 | 0.68% | \$171 | |
| 2002 | \$1,883,000 | | \$20,915 | \$190,000 | \$39,000 | | \$3,025,000 | \$5,157,915 | 1.36% | \$345 | |
| 2003 | \$1,650,000 | | \$17,019 | \$130,000 | \$26,000 | | \$3,025,000 | \$4,848,019 | 1.24% | \$322 | |
| 2004 | \$1,455,000 | | \$12,950 | \$65,000 | \$12,000 | | \$4,012,000 | \$5,556,950 | 1.36% | \$366 | |
| 2005 | \$1,310,000 | | \$8,696 | | \$8,000 | | \$3,857,000 | \$5,183,696 | 1.22% | \$333 | |
| 2006 | \$1,155,000 | | \$4,247 | | \$4,000 | | \$3,696,000 | \$4,859,247 | 1.09% | \$306 | |

Centerville City Corporation

Direct and Overlapping Governmental Activities Debt June 30, 2006

| Governmental Unit | Outstanding Debt | Estimated Percentage Applicable (1) | Estimated Share of Overlapping |
|--|------------------------|-------------------------------------|--------------------------------|
| Debt repaid with property taxes | | | |
| Davis County | \$26,535,000 | 6.31% | \$1,674,359 |
| Davis School District | \$223,365,000 | 6.31% | \$14,094,332 |
| Weber Basin Water Conservancy District | \$35,212,376 | 2.32% | \$816,927 |
| State of Utah | \$1,377,390,000 | 0.49% | \$6,749,211 |
| South Davis Recreation District | \$18,400,000 | 18.59% | \$3,420,560 |
| Other Debt - Davis County | | | |
| Sales tax revenue bonds | \$8,325,000 | 10.25% | \$853,313 |
| MBA lease revenue bonds | \$1,363,000 | 6.31% | \$86,005 |
| Lease purchase | \$2,949,726 | 6.31% | \$186,128 |
| Total Overlapping Debt | <u>\$1,693,540,102</u> | | <u>\$27,880,834</u> |
| Centerville City | | | |
| Lease Revenue Bonds | \$1,155,000 | | \$1,155,000 |
| Special Assessment Bonds | \$4,000 | | \$4,000 |
| Total Direct Debt | <u>\$1,159,000</u> | | <u>\$1,159,000</u> |
| Total Direct and Overlapping Debt | <u>\$1,694,699,102</u> | | <u>\$29,039,834</u> |

(1) For debt repaid with property taxes the estimated percentage of overlapping debt applicable to Centerville City was used by using taxable assessed property values. This method was used on all debt except retail sales was used for the Davis County sales tax revenue bonds where the percentage was estimated by dividing the point of sales taxes collected within Centerville was divided by the point of sale collected in the County.

Note: Overlapping governments are considered to be those that at least in part, coincide with the geographical boundaries of the City. This table does not imply that every tax payer is a resident and therefore responsible for repaying the debt of the overlapping government.

Centerville City Corporation

Legal Debt Margin
Last Ten Fiscal Years

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Debt Limit | 15,478,760 | 17,833,880 | 18,494,560 | 19,507,960 | 21,176,440 | 21,560,920 | 22,217,440 | 23,852,480 | 24,414,200 | 27,007,560 |
| Total net applicable debt | \$37,000 | \$85,000 | \$75,000 | \$64,000 | \$52,000 | \$39,000 | \$26,000 | \$12,000 | \$8,000 | \$4,000 |
| Legal debt margin | \$15,441,760 | \$17,748,880 | \$18,419,560 | \$19,443,960 | \$21,124,440 | \$21,521,920 | \$22,191,440 | \$23,840,480 | \$24,406,200 | \$27,003,560 |
| Total net debt applicable to limit as a percentage of debt limit | <u>0.24%</u> | <u>0.48%</u> | <u>0.41%</u> | <u>0.33%</u> | <u>0.25%</u> | <u>0.18%</u> | <u>0.12%</u> | <u>0.05%</u> | <u>0.03%</u> | <u>0.01%</u> |

Centerville City Corporation

Revenue Bond Coverage

Water Revenue Bonds

| Fiscal Year | Gross Revenue | Operating Transfers | Expenses net of Depreciation | Net Available Revenue | Principal | Interest | Total | Coverage |
|-------------|---------------|---------------------|------------------------------|-----------------------|-----------|-----------|-----------|----------|
| 1997 | \$1,384,604 | (\$287,410) | (\$410,338) | \$686,856 | \$61,000 | \$17,832 | \$78,832 | 8.71 |
| 1998 | \$1,056,374 | (\$104,593) | (\$597,418) | \$354,363 | \$72,000 | \$12,982 | \$84,982 | 4.17 |
| 1999 | \$1,528,182 | (\$103,296) | (\$595,281) | \$829,605 | \$75,000 | \$9,307 | \$84,307 | 9.84 |
| 2000 | \$1,292,333 | (\$280,224) | (\$460,969) | \$551,140 | \$79,000 | \$5,450 | \$84,450 | 6.53 |
| 2001 | \$1,443,452 | (\$269,675) | (\$532,221) | \$641,556 | \$43,000 | \$1,075 | \$44,075 | 14.56 |
| 2002 | \$1,277,786 | (\$326,966) | (\$545,534) | \$405,286 | - | - | - | - |
| 2003 | \$1,473,051 | (\$280,416) | (\$639,747) | \$552,888 | - | \$107,922 | \$107,922 | 5.12 |
| 2004(1) | \$2,252,226 | (\$369,040) | (\$1,047,186) | \$836,000 | \$155,000 | \$158,996 | \$313,996 | 2.66 |
| 2005 | \$2,316,108 | (\$373,793) | (\$1,175,166) | \$767,149 | \$161,000 | \$154,490 | \$315,490 | 2.43 |
| 2006 | \$2,499,361 | (\$381,060) | (\$1,033,867) | \$1,084,434 | \$174,000 | \$147,860 | \$321,860 | 3.37 |

(1) Water Series 2003 Drainage Utility revenues are also pledged

Centerville City Corporation

Demographic and Economic statistics

| Calendar Year | Population (1) | Per Capita Income (2) | Personal Income | Unemployment Rate (3) | Median Age (4) | Average Size of Household (4) |
|------------------|----------------|--------------------------|--------------------|--------------------------|-------------------|-------------------------------------|
| 1996 | 14,013 | \$20,091 | \$281,537,594 | 3.20% | 22 | 3.81 |
| 1997 | 14,189 | \$21,599 | \$306,470,803 | 2.90% | 22 | 3.81 |
| 1998 | 14,453 | \$22,650 | \$327,363,168 | 3.50% | 22 | 3.81 |
| 1999 | 14,585 | \$23,405 | \$341,361,925 | 3.50% | 22 | 3.81 |
| 2000 | 14,788 | \$25,064 | \$370,634,401 | 3.00% | 27.3 | 3.52 |
| 2001 | 14,935 | \$25,430 | \$379,806,205 | 3.90% | 27.3 | 3.52 |
| 2002 | 15,069 | \$25,947 | \$390,998,457 | 5.20% | 27.3 | 3.52 |
| 2003 | 15,185 | \$26,943 | \$409,136,999 | 5.20% | 27.3 | 3.52 |
| 2004 | 15,558 | \$27,418 | \$426,580,211 | 4.40% | 27.3 | 3.52 |
| 2005 | 15,861 | \$28,081 | \$445,396,111 | 3.70% | 27.3 | 3.52 |

(1) Year 2000 United States Census Report and estimates based on residential units and average household

(2) Davis County Clerk/Auditor

(3) Utah Department of Workforce Services

(4) United States Census Reports, 1990 and 2000

Centerville City Corporation

Principal Employers

| Employer | Type of Business | Employees | Rank |
|-----------------------------------|-----------------------|-----------|------|
| Management & Training Corporation | Job Training Services | 500-999 | 1 |
| Target | General Merchandise | 250-499 | 2 |
| Albertsons | Grocery Store | 250-499 | 3 |
| Dicks Market | Grocery Store | 250-499 | 4 |
| Home Depot | Home Improvement | 100-249 | 5 |

Source: Division of Workforce Services

Centerville City Corporation

Full Time Equivalent City Government Employees by Function Last Ten Fiscal Years

| Function | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|--------------|--------------|
| General Government | | | | | | | | | | |
| Administration | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Finance | 3 | 3 | 3 | 3 | 3 | 3 | 3.5 | 3.5 | 3.5 | 3.5 |
| Justice Court | 3 | 3 | 3 | 3 | 3 | 3 | 3.5 | 3.5 | 3.75 | 3.75 |
| Total General Government | 9 | 9 | 9 | 9 | 9 | 9 | 10 | 10 | 10.25 | 10.25 |
| Police | 20.5 | 20.5 | 21.5 | 21.5 | 22.5 | 24 | 25 | 25 | 25 | 25 |
| Community Development | 2 | 2 | 2 | 2 | 2 | 2.5 | 3 | 3 | 3 | 4 |
| Public Works | | | | | | | | | | |
| Administration | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 3 | 2.5 | 3 | 4 |
| Streets | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Water | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Drainage | - | - | 0.5 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total Public Works | 11 | 11 | 11.5 | 12 | 12 | 12 | 13.5 | 13 | 13.5 | 14.5 |
| Parks & Recreation | | | | | | | | | | |
| Parks | 7 | 8 | 8 | 8 | 8.5 | 8.5 | 7 | 7 | 7.5 | 8.5 |
| Recreation | 5.5 | 5.5 | 6 | 6 | 6.5 | 6.5 | 6.5 | 6.5 | 6.75 | 6.25 |
| Museum | - | - | - | - | - | - | - | - | 0.5 | 0.5 |
| Building Maintenance | 1 | 1 | 1 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.75 |
| Total Parks & Recreation | 13.5 | 14.5 | 15 | 14.5 | 15.5 | 15.5 | 14 | 14 | 15.25 | 16 |
| Total Primary Government | 56 | 57 | 59 | 59 | 61 | 63 | 65.5 | 65 | 67 | 69.75 |

Centerville City Corporation

General Fund Expenditures by Function Last Ten Fiscal Years

| Fiscal Year | General Government | Public Safety | Public Works | Community Development | Parks & Recreation | Total |
|------------------------|-------------------------------|--------------------------|-------------------------|----------------------------------|-----------------------------------|--------------|
| 1997 | \$737,969 | \$1,355,088 | \$1,341,796 | \$162,410 | \$498,622 | \$4,095,885 |
| 1998 | \$721,639 | \$1,453,762 | \$959,932 | \$190,466 | \$531,843 | \$3,857,642 |
| 1999 | \$772,844 | \$1,679,547 | \$1,270,295 | \$196,560 | \$549,426 | \$4,468,672 |
| 2000 | \$800,847 | \$1,638,823 | \$1,248,245 | \$232,013 | \$700,625 | \$4,620,553 |
| 2001 | \$799,522 | \$1,918,858 | \$1,668,002 | \$234,768 | \$703,646 | \$5,324,796 |
| 2002 | \$890,233 | \$2,008,584 | \$1,900,339 | \$236,622 | \$702,172 | \$5,737,950 |
| 2003 | \$996,844 | \$1,942,471 | \$1,346,377 | \$228,596 | \$790,268 | \$5,304,556 |
| 2004 | \$1,003,973 | \$2,095,514 | \$1,455,501 | \$266,688 | \$726,036 | \$5,547,712 |
| 2005 | \$1,124,793 | \$2,214,855 | \$1,766,837 | \$307,930 | \$719,921 | \$6,134,336 |
| 2006 | \$1,219,986 | \$2,460,052 | \$1,270,520 | \$366,249 | \$810,696 | \$6,127,503 |

Centerville City Corporation

Capital Asset & Statistical Information by Function Last Seven Fiscal Years

| Date of Incorporation Area of City | May 17, 1915 7.5 square miles | | | | | | |
|---|----------------------------------|--------|--------|--------|--------|--------|--------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Population Estimate | 14,788 | 14,935 | 15,069 | 15,185 | 15,558 | 15,861 | 16,143 |
| City Hall and Justice Court | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| Museum | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Streets & Public Works | | | | | | | |
| Miles of Streets | 53 | 56 | 56 | 57 | 57 | 58 | 59 |
| Number of Street Lights | 551 | 680 | 680 | 702 | 713 | 720 | 727 |
| Public Works Office, Maintenance, Storage | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Number of Police Stations (included in City Hall) | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Police Officers | 15 | 15 | 15 | 16 | 16 | 16 | 16 |
| Municipal Water | | | | | | | |
| Number of Customers | 4,000 | 4,053 | 4,072 | 4,132 | 4,257 | 4,273 | 4,366 |
| Miles of Water Mains | 66 | 66 | 66 | 68 | 68 | 69 | 70 |
| Number of Culinary Water Wells | | 7 | 7 | 8 | 8 | 8 | 8 |
| Number of Culinary Water Storage Tanks | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Building Permits Issued (new construction) | 81 | 61 | 46 | 55 | 90 | 58 | 114 |
| Parks & Recreation | | | | | | | |
| Office, Maintenance, Storage Buildings | | | 1 | 1 | 1 | 1 | 1 |
| Developed Parks | 4 | 4 | 4 | 4 | 4 | 5 | 5 |
| Undeveloped Parks and Trails | 1 | 2 | 2 | 3 | 3 | 2 | 2 |
| Pavilions | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Tennis Courts | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Baseball Fields | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Youth in Recreation Programs | 1,550 | 2,335 | 2,465 | 2,645 | 3,250 | 3,375 | 3,075 |

**CENTERVILLE CITY CORPORATION
CENTERVILLE, UTAH**

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL
INCLUDING STATE LEGAL COMPLIANCE REPORT**

YEAR ENDED JUNE 30, 2006

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor & Members of the City Council
Centerville City Corporation, Utah

We have audited the basic financial statements of Centerville City Corporation as of and for the year ended June 30, 2006, and have issued our report thereon dated December 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Centerville City Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City, in a separate letter dated December 4, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Centerville City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Centerville City Corporation in a separate letter dated December 4, 2006.

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA

Jason L. Tanner, CPA
Robert D. Wood, CPA

Members of the
American Institute
of Certified Public
Accountants

Members of the
Private Company
Practice Section

This report is intended solely for the information and use of management, the City Council and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 4, 2006

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
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STATE LEGAL COMPLIANCE REPORT

Honorable Mayor and Members of City Council
Centerville City Corporation
Centerville, Utah

We have audited the basic financial statements of Centerville City for the year ended June 30, 2006 and have issued our report thereon dated December 4, 2006. As part of our audit, we have audited compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation & Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts Compliance

The management of Centerville City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying schedule of findings. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Centerville City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 4, 2006

CENTERVILLE CITY CORPORATION
Schedule of Findings
Year Ended June 30, 2006

Requirement/Program

Current Year Findings

1. Budgetary
Compliance

Finding: In accordance with State law, officers and employees of an entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department. For the year ended June 30, 2006, expenditures exceeded budgeted amounts in the following departments.

| <u>Fund</u> | <u>Department</u> | <u>Amount Over Budget</u> |
|-----------------|-------------------|-----------------------------------|
| General Fund | Nondepartmental | \$ 910 |
| | Fire | 343 |
| Recreation Fund | | 11,955 |

Recommendation: The City should monitor the status over expenditures as compared to budget through the year.

Management's Response: General Fund: Historically the two departments that exceeded budgetary authority have been reported in a broader category for budgetary compliance. The broader budget categories had greater budgetary authority than the amounts reported for noncompliance. Management agrees that this level of budgetary reporting is correct, and will more closely monitor these areas for strict compliance.

Recreation Fund: This fund is the most difficult to project budgetary compliance, a significant amount of activity occurs in this fund during the last few days of the reporting period. Management will recommend sufficient budget in the future to cover all possible expenditures.

2. Deficit Fund Balance **Finding:** Under State law, deficit fund balances in any fund are illegal. We noted a deficit fund balance in the Recreation Special Revenue Fund of \$8,909 as of June 30, 2006. This deficit resulted in the City's noncompliance with State of Utah fund balance requirements.

Recommendation: We recommend management review the budget of this fund and take appropriate action to eliminate this deficit fund balance in accordance with State of Utah legal compliance guidelines.

Management's Response: Recreation Fund: This fund relies upon user fees for its revenue source. Also a significant amount of expenditures occur at the end of the reporting period. The timing of revenues and expenditures have made it difficult to not incur a deficit balance at June 30. Management will recommend that the City take action to assure that this fund has a sufficient balance to sustain a positive balance at any given reporting period, and assure that revenues are sufficient to cover expenses.

Centerville City
Impact Fee Schedule
Year Ended June 30, 2006

Park Impact Fees

| | <u>FY01</u> | <u>FY02</u> | <u>FY03</u> | <u>FY04</u> | <u>FY05</u> | <u>FY06</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Beg. Balance | (\$56,352) | (\$80,817) | (\$30,797) | (\$34,894) | (\$56,697) | (\$341,669) |
| Impact fees | \$48,000 | \$60,000 | \$33,600 | \$36,000 | \$117,600 | \$65,000 |
| Interest on IP | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total available | (\$8,352) | (\$20,817) | \$2,803 | \$1,106 | \$60,903 | (\$276,669) |
| Eligible Expenditures | \$72,465 | \$9,980 | \$37,697 | \$57,803 | \$402,572 | \$604,949 |
| Balance | (\$80,817) | (\$30,797) | (\$34,894) | (\$56,697) | (\$341,669) | (\$881,618) |

Six year summary

| | |
|--------------------------|---------------|
| Beginning balance | (\$56,352) |
| Revenues(w/out interest) | \$360,200 |
| Eligible expenditures | (\$1,185,466) |
| Balance | (\$881,618) |

Eligible future planned project: \$4,000,000

Storm Drain Impact Fees

| | <u>FY01</u> | <u>FY02</u> | <u>FY03</u> | <u>FY04</u> | <u>FY05</u> | <u>FY06</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Beg. Balance | \$50,178 | \$46,889 | \$34,772 | \$48,058 | \$126,138 | \$247,378 |
| Impact fees | \$35,378 | \$54,256 | \$18,631 | \$78,798 | \$127,773 | \$17,211 |
| Interest on IP | \$1,765 | \$895 | \$555 | \$1,000 | \$5,045 | \$6,802 |
| Total available | \$87,321 | \$102,040 | \$53,958 | \$127,856 | \$258,956 | \$271,391 |
| Eligible Expenditures | \$40,432 | \$67,268 | \$5,900 | \$1,718 | \$11,578 | \$12,481 |
| Balance | \$46,889 | \$34,772 | \$48,058 | \$126,138 | \$247,378 | \$258,910 |

Six year summary

| | |
|-------------------|-------------|
| Beginning Balance | \$50,178 |
| Revenues | \$332,047 |
| Interest | \$16,062 |
| Expenditures | (\$139,377) |
| Balance | \$258,910 |

Eligible future planned project: \$166,054
Debt service through 2020 \$366,015

Water Impact Fees

| | <u>FY01</u> | <u>FY02</u> | <u>FY03</u> | <u>FY04</u> | <u>FY05</u> | <u>FY06</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Beg. Balance | \$451,636 | \$344,896 | \$162,048 | \$170,604 | \$157,377 | \$350,042 |
| Impact fees | \$112,738 | \$50,470 | \$49,500 | \$95,000 | \$303,152 | \$240,871 |
| Interest on IP | \$23,403 | \$2,315 | \$5,147 | \$5,100 | \$10,828 | \$14,001 |
| Total available | \$587,777 | \$397,681 | \$216,695 | \$270,704 | \$471,357 | \$604,914 |
| Eligible Expenditures | \$242,881 | \$235,633 | \$46,091 | \$113,327 | \$121,315 | \$112,917 |
| Balance | \$344,896 | \$162,048 | \$170,604 | \$157,377 | \$350,042 | \$491,997 |

Six year summary

| | |
|-------------------|-------------|
| Beginning Balance | \$451,636 |
| Revenues | \$851,731 |
| Interest | \$60,794 |
| Expenditures | (\$872,164) |
| Balance | \$491,997 |

Eligible future planned project: \$819,750
Debt service through 2017 \$1,303,641



CENTERVILLE CITY

250 North Main • Centerville, Utah 84014-1824 • (801) 295-3477 • Fax: (801) 292-8034

Incorporated in 1915

Mayor

Ronald G. Russell

City Council

Justin Y. Allen

Paul Cutler

Jack Dellastatious

David R. Gutke

Sherri L. Lindstrom

City Manager

Steve H. Thacker

MacRay A. Curtis
Office of the State Auditor
211 State Capitol
Salt Lake City, Utah 84114

February 7, 2007

Dear Mr. Curtis:

I am writing in response to your letter dated January 16, 2007, where you noted that the June 30, 2006 Centerville City financial report has revealed three findings of Budgetary Non-Compliance and one finding of a Deficit Fund Balance. As requested, the following will be the actions taken in the future as Centerville's corrective action plan:

1) Budgetary non-compliance - Nondepartmental and Fire. For reporting purposes the two departments that exceeded budgetary authority have historically been reported in a broader category for budgetary compliance. Even though the broader budget categories had greater budgetary authority than the amounts reported for non compliance, management agrees that this level of budgetary reporting is correct. Management will more closely monitor these and all departments for strict compliance.

2) Budgetary non-compliance - Recreation Special Revenue Fund. This fund is the most difficult to project budgetary compliance, a significant amount of activity occurs in this fund during the last few days of the reporting period. Management has recommend sufficient budget in the future to cover all possible expenditures. The City Council approved amendments to the FY 2007 budget on February 6, 2007 to address an potential similar non-compliance in the current reporting period.

3) Deficit Fund Balance - Recreation Special Revenue Fund. This fund relies upon user fees for its revenue source. Also, a significant amount of expenditures occur at the end of the reporting period. The timing of revenues and expenditures have made it difficult to not incur a deficit balance at June 30. Management has recommend, and the City Council taken has action, to assure that this fund has a sufficient revenues to sustain a positive balance at any given reporting period.

I am the individual responsible for implementation of the corrective action plan. If you have any questions you should feel free to contact me, 295-3477. Thank you for your assistance in this matter and all of your efforts for the communities of the State of Utah.

Sincerely,

Blaine L. Lutz
Finance Director/Asst. City Manager

CC: Steve Thacker, City Manager
Mayor Ronald Russell

